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Agenda Item
4B

DATE:	August 23, 2010
MEMO TO:	Members of the IPSASB
FROM:	Paul Sutcliffe
SUBJECT:	Review of Submissions to Conceptual Framework Exposure Draft #1: *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative characteristics; and Reporting Entity*

OBJECTIVE OF THIS SESSION

1. The objective of this session is to commence the review of responses to the Conceptual Framework Exposure Draft #1 *"Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope, Objectives and Users; Qualitative characteristics; and Reporting Entity"* (Framework ED-1).

2. At this meeting staff seek the Board's directions on a number of key issues.

AGENDA MATERIAL

3. Agenda material attached to this memorandum:

   4B.1 Overview of responses by geographic location, function and language;

   4B.2 Staff summary and collation of responses received; and

   4B.3 Summary of IPSASB decisions in the development of Framework ED #1.

   Other relevant materials previously distributed:

   A copy of Framework ED -1; and

   A copy of all submissions received.

BACKGROUND

4. The Framework ED-1 was issued in December 2010 with a request for comments by June15, 2011. As at August 15, 54 responses had been received. Any further responses received prior to the meeting will be made available before the meeting or tabled at the meeting. An overview of the responses received by region, function/ type of respondent and language is included at Agenda Item 4B.1.

5. A Staff summary and collation of responses to the Framework ED-1 is included at Agenda Item 4B.2. It includes a brief extract from each response, and identifies staff views on whether the response supports or opposes particular proposals in the ED. It also includes a staff comment on issues raised where appropriate.

Please note these are staff views only and do not necessarily reflect the views of IPSASB Members. As with all summaries, judgment has been necessary in classifying responses as supporting or disagreeing with a particular PV, and in drawing out the major points made by respondents. The analysis in this memorandum and the attached collation should therefore be read in conjunction with the submissions themselves. In one or two instances, Staff is following up with the respondent to ensure that the classification of the response to a particular matter does reflect the view intended. Staff will provide an update at the meeting as appropriate.

6. The IPSASB requested input on all proposals in Framework ED-1, and identified a number of specific matters for comment (SMC). Most respondents structured their responses around those SMCs. The collation of responses at 4B.2 follows that structure – it initially provides a broad overview of responses to the ED as a whole, and then considers responses to each of the SMCs.

7. Some respondents also raised substantive issues about broad matters of style, coverage, and structure of the ED not identified by the SMCs. Some of these issues also go to matters of the interaction with other standard setters and the timing and process for finalization of the Framework. These matters, together with some specific comments on areas for clarification, are drawn together after each SMC as appropriate, or in the final sections of the response summary.

8. A Consultation Paper (CP#1) dealing with Phase 1 of the Framework was issued in September 2008. Fifty seven (57) responses to the Consultation Paper were received and considered by the Board in developing the Framework ED-1. A summary of key decisions made by the Board in reviewing responses to CP#1 and developing the Framework ED-1 is included at Agenda Item 4B.3. It is included here primarily for the benefit of newer Members.

9. Responses to the ED were substantial and considered. Some issues raised have the potential to substantially impact the scope of financial reporting as proposed in the ED, and the coverage and structure of this phase of the Framework. This memorandum focuses on a number of substantive issues raised under each of the SMCs. Staff seeks the Board direction on those matters. This will provide a basis for further development of this phase of the Framework. Staff can then undertake further research and follow-up with respondents as appropriate, and commence the process of updating the content and structure of the ED to respond to those directions. In subsequent meetings, the other issues identified by respondents, including those more detailed matters related to explanation, wording and "delivery" of the principles will be brought into play as the Board considers updated drafts of these sections of the Framework. To that end, staff will also continue to work through, and compile and assess specific drafting and more substantial issues identified in responses.

RESPONSES – GENERAL COMMENTS AND OVERALL VIEW

10. Framework ED-1 encompasses a wide range of topics. Very few respondents made general comments which included a statement of their overall support or opposition to the proposals in the ED. Some respondents did not make introductory comments - rather they focused directly on responding to the SMCs.

11. Almost all respondents made some suggestions for strengthening the substance or explanation of the concepts. Some respondents were strongly opposed to particular of the proposals in the ED, but noted support for other sections of the ED and for the consultative process adopted by the IPSASB. Given the broad range of topics addressed in the ED, and the nature of responses to it, identification of an overall view as supporting or opposing the ED in total is not possible, or particularly useful. Rather, assessments of support or otherwise are made in respect of each section of the ED.

12. Many respondents, including those who were strongly opposed to certain of the ED's proposals, noted the importance of the development of the Framework (Respondents 1, 3, 8, 11, 18, 19, 25, 26, 29, 30, 31, 34, 35, 39, 43, 50, 51, 52, 54). Some respondents also explicitly acknowledged the work of the Board in responding positively to certain of the concerns they had raised in their response to the Consultation Paper CP#1 (Respondents 3, 14, 26, 27, 29, 34, 47).

13. In addition to proposals for refining existing positions and identifying areas where explanation and terminology can usefully be tightened, clarified and/or simplified, respondent identified a number of substantive and pervasive issues and concerns including:

- Whether the scope of financial reporting should be broadened beyond financial statements;
- Whether primary users should be identified and, if so, whether they are correctly identified;
- Whether accountability or decision making should be given greater prominence in the objectives of financial reporting; and
- Concern over the way in which the reporting entity and group reporting entity are treated in the Framework, with some of the view that guidance on the reporting entity should not be included in the Framework and others seeking more guidance on its operation.

14. The proposed scope of general purpose financial reporting drew most concern and opposition from respondents. In many cases, the concern was that the scope was too broad - particularly in respect of the disclosure of non-financial information about service achievements and disclosure of prospective financial information. In some cases, the concern was that the broad scope was too open ended or not

adequately explained, introduced or justified. Concerns were also raised about the auditability of GPFRs that dealt with non-financial and prospective financial information, the application of the qualitative characteristics to all matters encompassed by the broad scope and whether the IPSASB would have the resources to pursue projects dealing with the broad scope issues in addition to those dealing with financial statement issues.

KEY ISSUES

Specific Matters for Comment 1: The Role, Authority and Scope of the Conceptual Framework

15. The SMC requested comments on whether there was agreement on the proposed role and authority of the Framework and the scope of financial reporting. In many cases, respondents dealt with the three components together, focusing on only those matters of particular interest or concern – most notably scope.

16. The issues raised by respondents on the proposed scope of financial reporting, and the outcome of the Board's deliberations on those issues, have the potential to impact a number of the matters dealt with in the ED, including the role and authority of the Framework, users' information needs and the contents of GPFRs. Consequently, Staff proposes that the Board consider scope issues prior to moving through the other matters raised in the SMCs.

Specific Matters for Comment 1: The Scope of Financial Reporting

17. The Framework ED-1 explains at paragraph 1.6:

> *"GPFRs of public sector entities include, but are more comprehensive than, financial statements including their notes. They can report information about the past, present, and the future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs".*

A foot note to this paragraph explains that reference in this document to inclusion of information in GPFRs does not mean inclusion of that information in every GPFR that may be prepared.

18. Twenty (20) respondents expressed support for the scope of financial reporting as proposed by ED-1 with some advocating that the ED clarify "other phenomena" that may be encompassed by the scope (Respondent 44) and provide guidance on whether information would be included in the financial statements or other GPFRs (Respondent 13). Some also questioned whether the term general purpose financial reports was appropriate, given that they may contain more than financial information (Respondent: 24) and noted that projects dealing with the broader scope issues would need to provide guidance on application of the qualitative characteristics (QCs) such as verifiability and consistency (Respondent 1). Some

also questioned whether IPSASB has the resources to pursue these additional broad scope projects (Respondent: 25, 34).

19. Twelve (12) respondents expressed support for the scope as proposed but with reservations – the reservations included:

- Proposals that the Framework clarify that authoritative requirements would only be developed for financial statement matters, broader scope issues being the subject of non-authoritative guidelines (Respondents 14, 27, 49);

- Concern that the scope, and the explanation of what may be encompassed by GPFRs, is too open ended and/or not adequately explained or justified - with in some cases proposals to remedy this (Respondents 16, 30, 41, 46, 52);

- Concern that the scope is too sharply focused on the financial statements, with proposals that the scope section commence with a more generic explanation of the role of GPFRs (50) and that additional guidance on non-financial information and sustainability reporting be included in the Framework (Respondent 15); and

- Clarification of whether information would be included in the financial statements or other GPFRs and what information would be audited (Respondent 3).

One response also notes that members of the responding committee had different views, with preparers and auditors of the view that the scope of the conceptual framework should not be extended to information other than the financial statements, and those representing taxpayers and other members of the community of the view that that the conceptual framework should be the same for financial statements and for other information (Respondent 21).

20. Twelve (12) respondents expressed strong opposition to expanding the scope of financial reporting beyond financial statements. Major concerns raised by these respondents are that:

- The proposed broad scope deals with matters outside the existing Terms of Reference of the Board (Respondents: 4, 7, 35, 38) and the expertize of the profession or the Board (Respondents:7, 31, 37, 40);

- Guidance on matters outside the financial statements, such as non-financial and prospective information, are appropriately a matter for individual governments, jurisdictions or governing body or other authority, rather than the IPSASB (Respondents: 7, 26, 33, 35, 37, 38, 40, 47, 54), though the IPSASB may provide non-authoritative guidance on such matters but not IPSASs (Respondents: 35, 38);

- Dealing with these broad scope issues would absorb too much of the IPSASB's resources and limit its ability to deal with financial statement issues (Respondents: 4, 31).

Some also questioned whether users of GPFRs required such information (Respondents: 4, 33) and advocated that the IPSASB identify the criteria it would use to assess how the scope should evolve (Respondent: 6).

21. Concerns about the audit implication of including non-financial information and prospective information in GPFRs were raised by many respondents including both those who supported and those who opposed the broad scope proposed in the ED (Respondents: 1, 3, 6, 7, 13, 24, 38, 51, 54). In some cases, these concerns were raised in responses to SMC 2 dealing with objectives and user needs, and SMC 3 dealing with application of the QCs – they are brought together in an "audit implications" section at the end of the staff summary and collation (Agenda item 4B.2) following responses to SMC 4.

22. Ten (10) respondents did not comment on the section dealing with the scope of GPFRs.

Staff views

23. Staff are following up with IAASB staff regarding their views on audit issues including: (a) the appropriate role of the IPSASB, IAASB and regulatory frameworks in place in each jurisdiction in establishing an appropriate "assurance" response to non-financial and prospective financial information that may be included in GPFRs outside financial statements, and (b) the use of experts in the audit of such material. Staff will provide Members with update at the forthcoming meeting.

24. Staff is of the view that the Board should continue to develop the Framework to reflect its view that GPFRs may encompass a more comprehensive scope as outlined in the Framework ED. Many respondents to the ED supported this broad scope and the Board has previously acknowledged that, subject to its deliberations on this matter, it may well need to seek an amendment to its terms of reference.

25. Staff is of the view that the Board can better explain and clarify the rationale underpinning the broader scope and its potential consequences for the development of IPSASs and non-authoritative guidance. Some proposals regarding these matters that may respond, at least in part, to some of the concerns raised by respondents are briefly explored below. However, whether such clarification and explanation will overcome all opposition to the acknowledgement of a broad scope for financial reporting is unlikely.

Explanation of the broad scope proposed for financial reporting

26. A number of respondents expressed concern that the boundary of GPFR was not sufficiently justified and/or more clearly specified, in some cases noting that

explaining that the boundary of financial reporting would be determined by responding to the information needs of primary users, as identified in paragraph 1.5 of the ED, is too open ended (Respondents 6, 16, 30, 50, 41, 44, 46, 50, 52).

27. A number of these respondents made proposals to overcome their concerns, including for example, clarifying in the scope section what may be embraced in GPFRs (Respondent 16); developing a more robust explanation of GPFRs and linking the scope of financial reporting more closely to users' information needs (Respondents 30, 50); and explaining that the scope of GPFRs is limited to information that enhances, complements or supplements the financial statement, and elaborating on the purpose of some of the reports already identified in the ED (52).

28. Staff believe all of these proposals have merit and could strengthen the explanation in the ED. Staff is drawn to the notion that the scope of general purpose financial reporting should be articulated as encompassing the financial statements and information that enables users to better understand and put in context the information included in those statements. However, Staff notes that the Board considered such an approach when developing the Consultation Paper CP#1 - but moved away from it. At that time, some members were concerned that such an approach may be limiting. Others noted that what enhances or complements the financial statements may be open to wide interpretation and such an explanation may not sharpen the focus as intended.

29. The proposal of respondent 16 (as noted below) to clarify in the early sections of the ED what may be encompassed within the scope is also appealing:

"We are concerned that while the scope of financial reporting establishes the boundary around what should be reported in the GPFRs, the proposals do not actually articulate what this boundary should be. Therefore, the scope appears to be open-ended and consequently too wide. Paragraph BC1.5 of the Basis for Conclusions, for example, clarifies what may be included in GPFRs and therefore could be elevated to be included in the main text as this may assist in understanding the intended scope." (*Respondent 16)*

30. However, it is unlikely to respond to the concerns of those seeking greater justification and clarity about the scope of financial reporting and GPFRs.

31. Some respondents propose a more substantial change to the scope section. Staff is uneasy about substantially restructuring and reconstituting the paragraphs in Section 1 of the ED that deal with general purpose financial reports and the scope of financial reporting at this point in time - particularly given that many respondents seem comfortable with the current approach and restructuring the ED is unlikely to change the views of those who are opposed to the broader scope. Staff is also aware that Phase 4 "Presentation" is developing concepts that will guide the selection of presentation of information in financial statements and broader GPFRs.

32. However, staff is of the view that Members could usefully consider whether the explanation of the scope of financial reporting is appropriately placed at paragraphs 1.5 – 1.7 of Section 1 of the Framework ED. Staff is of the view that there is a case for relocation of the explanation of the scope of financial reporting to follow the discussion of users' information needs and the information that may be provided by general purpose financial reports in Section 2 of the ED. Such relocation would respond to those who are concerned that there is insufficient explanation of how the Board arrived at its views on the scope of GPFRs - it would provide a mechanism for the Board to establish a clearer more explicit link between users' information needs and the information that GPFRs may provide in response. While not establishing precise boundaries around financial reporting it could usefully identify the circumstances and information needs that it is anticipated the scope of financial reporting will evolve in response to. It may also provide the opportunity for the Board to clarify in the basis for conclusion its view of the role the standard setter has in respect of such matters as budget formulation and execution and related budget reports, which is identified as a matter of concern in some responses.

Authority of guidance on non-financial information and prospective financial information

33. A number of respondents express concern that the Board may issue authoritative requirements dealing with non-financial and prospective financial information, and advocate that the Framework make clear that this is not contemplated.

"It must be absolutely clear from the Conceptual Framework that compulsory Standards are issued only for GPFSs. The other GPFRs (additional information) should be governed exclusively in the Conceptual Framework and in Recommendations (guidelines). If the compulsory Standards go too far, there is a risk that units in the Public Sector will refrain from implementing the IPSASs, because the cost is considered too great in relation to the benefit. And that cannot be in the interest of the IPSAS Board." (Respondent 14)

".... IPSAS Board should not prescribe the scope of non-financial information to be reported. Governing bodies set requirements for 'results' and 'programme delivery' reporting…Guidelines on presentation of non-financial information relating to service delivery reporting may be more appropriately presented in Studies, Occasional Papers and other pronouncements of the IPSAS Board." (Respondent 35)

34. Staff appreciates that the Board will wish to retain the right to determine the authority of any guidance it develops, and consequently that the Framework should not preclude the IPSASB from developing authoritative requirements on matters within its scope. However, staff is also of the view that the basis of conclusion paragraph BC1.7 which explains that adoption of a broad scope does not mean that "it is inevitable that authoritative requirements will be developed" on all matters within the scope of financial reporting can be clarified to explain that any project dealing with such matters would be subject to full due process

and therefore would need to respond to constituent concerns about its technical content and authority.

35. This, of course, would not respond to the concerns of those who would wish the Framework to clarify that IPSASs will not be developed on non-financial and prospective financial information. However, it would reinforce the message that any projects the Board develops on these matters will be subject to full scrutiny by its constituency.

36. Subject to Board direction on these matters, staff will prepare materials for Board consideration at its next meeting.

> ***Action Requested:***
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> Members are requested to confirm or otherwise that the broad scope of financial reporting should be retained, and that staff proposals relating to the following matters be further explored: (a) the re-positioning of the scope section; and (b) clarification of the authority of guidance that may be issued.

Specific Matters for Comment 1: The Role and Authority of the Framework

37. There was considerable support for both the role and authority of the Framework as proposed in ED #1. With respect to the role of the Framework:

- Thirty one (31) respondents signaled their support for the role of the Framework;
- Two (2) signaled support with reservations – the reservations being that the IPSASB Framework has excluded GBE's from its ambit (Respondent 50) and should further acknowledge circumstances of different countries and integrate with audit (Respondent 51);
- Three (3) respondents expressed opposition to the proposed role of the Framework, either because the IPSASB Framework is not simply interpreting the IASB Framework (Respondent 6), or as opposition to the "package" of role, authority and scope – because of their concerns about scope (Respondents: 4, 37); and
- Eighteen (18) respondents did not comment on the role of the Framework, rather focusing their comments on issues related to the scope or authority of the Framework.

38. With respect to the authority of the Framework:

- Twenty two (22) respondents signaled their support for the proposed authority of the Framework;

- Nine (9) respondents expressed support with some reservations – those reservations being that the authority of the Framework should be elevated and/or its positioning in a hierarchy of authoritative pronouncements clarified (Respondents: 3, 4, 9, 13, 23, 40, 49), that the Framework should clarify that, subject to due process, existing IPSASs be amended to be brought into line with the concepts (Respondents: 11, 33), and that some explanation of the relationship between the Framework and IPSASs be clarified (Respondent 45);

- Four (4) respondents expressed opposition to the proposed authority – because the Framework did not clearly specify that IPSASs would apply only in respect of financial statements rather than the broader scope proposed in the ED (Respondent 14), as opposition to the "package" of role, authority and scope –because of their concerns about the authority of the Framework when a broad scope is adopted (Respondents: 7, 37) or because the Framework should have authoritative status in the absence of an IPSAS (Respondent 40); and

- Nineteen (19) respondents did not comment on the role of the Framework, rather focusing their comments on issues related to the scope or role of the Framework.

Staff views

39. Staff is of the view that the role and authority of the Framework as reflected in the ED are appropriate, but proposals for clarification of that message should be considered in the process of drafting the Framework.

40. Staff notes that the Board intends to review the sections of IPSAS 3 *"Accounting Policies, Changes in Accounting Estimates and Errors"*, dealing with the "hierarchy" of guidance for selection of accounting policies in the absence of an IPSAS – which will respond to some concerns identified in the responses.

41. However, Staff is not convinced that the Framework should be identified as the source of authoritative requirements in respect of matters not dealt with by an IPSAS. This is because the Framework will establish broad principles, the application of which may be open to different interpretations and will need to be supported by detailed guidance and consideration of jurisdictional issues. In addition, Staff anticipates that the Board will issue non-authoritative guidance on matters that may be reported in financial statements and, particularly, on reporting of non-financial and prospective financial information in GPFRs, and would not want the Framework to be interpreted to impose more authority on such guidance than was intended by the Board. Staff agree with proposal that the IPSASs be aligned with the concepts reflected in the Framework, but note the Board may wish to reserve the right to depart from the Framework in some rare cases - whether as an interim or development step or because of practical reasons.

> ***Action Requested:***
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> Members are requested to confirm or otherwise staff views regarding the proposed role and authority of the Framework

Specific matters for comment 1: Additional Issues.

42. Extracts of responses that commented on the following issues when responding to SMC 1 are grouped together in the collation of comments following the section on scope (Agenda Item 4B.2 pages 47-56). The following only deals with those broad issues that received most comment. Respondents also identified a range of other matters that staff will bring to the Board's attention as this section of the Framework is further developed.

Exclusion of GBE's from the scope of the Framework

43. A number of respondents expressed concern that government business enterprises (GBE's) are excluded from the scope of the Framework and that their exclusion is not explained, in some cases noting that guidance in respect of them will be needed. Some also propose that the Framework outline the standards that apply to them and clarify that, while excluded from the Framework, information about them is included in whole of government GPFRs (Respondents 2, 3, 6, 14, 20, 21, 46, 50, 52).

Staff Views

44. The Preface to International Public Sector Accounting Standards currently explains that GBE's apply IFRS issued by the IASB. GBE's are excluded from the scope of IPSASs on this basis. Staff appreciates that the Board intends to action a project on GBE's in the near future and does not wish to pre-empt the outcome of that project. However, staff believes that, subject to the Board's expectations about the timing of progress of the GBE project, it would be appropriate for the basis for conclusions to provide background to the exclusion of GBE's from the Framework.

45. Paragraph BC 4.11 acknowledges that GBE's may be encompassed within the group reporting entity. However, this reference to GBE's is cryptic and well distanced from the reference to their exclusion in paragraph 1.8 of the ED. Consequently, staff is of the view that it would be appropriate for the basis for conclusions to paragraph 1.8 to confirm that GPFRs prepared at the whole-of-government level may include information about GBE's. It may also be appropriate to contemplate whether the Framework should explain that the GBE's excluded from its scope are those that are not required to apply IPSASs. This would enable GBE's, or some groups thereof, to fall within the ambit of the Framework if the outcome of the Board's GBE project reflected such a view.

46. If Members consider this approach useful staff will draft wording for the Board to consider at its next meeting.

Relationship of IPSASB Framework to IASB Framework

47. The IPSASBs approach and strategy for development of the Framework is identified in the Introduction to the Framework - ED:

"Many of the IPSASs currently on issue are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), to the extent that the requirements of those IFRSs are relevant to the public sector. The IPSASB's strategy also includes maintaining the alignment of IPSASs with IFRSs where appropriate for the public sector.

The IASB is currently developing an improved Conceptual Framework for private sector business entities in a joint project with the Financial Accounting Standards Board (FASB) of the USA. Development of the IASB's Conceptual Framework is being closely monitored. However, development of the IPSASB's Conceptual Framework is not an IFRS convergence project, and the purpose of the IPSASB's project is not to interpret the application of the IASB Framework to the public sector."

48. A number of respondents commented on the relationship of the IPSASB and IASB Frameworks. Some noted the desirability of a single or substantially the same Framework, and the importance of the IPSASB and IASB working together such that the IPSASB Framework and IASB Frameworks only differ because of differences in the private and public sectors (Respondents 1, 2, 3, 6, 11, 16, 39, 46). Some also questioned the usefulness and role of the appendices which briefly outline guidance in the IASB Framework and statistical bases of reporting and whether the IPSASB timetable for progressing the Framework provided for appropriate interaction with the IASB. (Respondents 1, 11, 45).

Staff Views

49. Staff is of the view that the Board's process for development of the Framework is responsive to the concerns of respondents as far as possible. The Board and staff closely monitor and consider the IASB Framework and developments thereon as the public sector Framework is developed. On-going dialogue/contact is maintained with the IASB at Board and staff level, and the IASB is a member of the standard-setters advisory panel for this project. The Board and staff also monitor the work of NSS-4 group of standards setters which reviews IASB Conceptual Framework papers for their implications for the public benefit entities.

50. The Board has previously agreed that it will continue to progress its Framework project even though it may move ahead of the IASB project, and has structured its timetable and work flows on that basis. At this stage it is not clear how quickly the IASB will progress the outstanding phases of its Framework project. Staff is of the view that the Board's constituents are anticipating ongoing progress on this

project. In these circumstances, staff does advocate that there be a substantial change in the Board's approach or schedule.

51. Staff agree that, as the Board progresses this and the other Phase of the Framework, it is appropriate to consider the role, nature and placement of the appendices which outline how similar matters are dealt with in the IASB Framework and in the statistical bases of reporting.

> ***Action Requested:***
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> Members are requested to confirm or otherwise staff views regarding the explanation of the exclusion of GBE's from the Framework and the timing and process of ongoing development of the Framework.

Specific matters for comment 2: Objectives of financial reporting by public sector entities and the primary users of GPFRs of public sector entities and their information needs.

52. SMC 2 requested comments on whether there was agreement on the objectives of financial reporting by public sector entities, the primary users of GPFRs and users' information needs. In many cases, respondents dealt with the three components together, focusing their detailed comments on only those aspects which are of particular interest or concern to them.

Objectives of Financial Reporting

53. Twenty seven (27) respondents signaled their support for the objectives of accountability and decision making as articulated in the ED, with in some cases proposals for strengthening and clarifying the explanation. Those proposals included noting that GPFRs respond to "common information needs of users (Respondent 1), that GPFRs should respond to the needs of the maximum number of primary users (Respondent 26), and that the ED should identify the public sector characteristics that lead to these objectives (Respondents 8, 42).

54. Five (5) respondents noted support, with reservations that included the need for the ED to more clearly articulate the link between accountability and decision making (Respondents 6, 30, 44), include a definition of accountability (Respondent 3) and acknowledge that a legal requirement may drive the need to report (Respondent 14).

55. Ten (10) respondents expressed their opposition to the objectives as identified because they were of the view that:

- Accountability should be identified as the single or dominant objective in the public sector (Respondents 4, 28, 33, 45, 48, 54);
- Decision making should be identified as the single objective with information for accountability purposes being acknowledged as useful

for, or being encompassed by, the decision making objective (Respondent 41, 46);

- Concern about the applicability of the objectives, particularly given the broad scope proposed for GPFRs (Respondent 37); and

- Concern about the applicability of the objectives across a range of cultures (Respondent 15).

56. Twelve (12) respondents did not comment specifically on the objectives – in a number of cases focusing their comments on the identity of primary users and/or their information needs.

Staff Views

57. The rationale underpinning the Board's decision to identify accountability and decision making as the objectives of financial reporting is reflected in paragraph 2.3:

"Governments and other public sector entities raise resources from taxpayers, donors, lenders and other resource providers for use in the provision of services to citizens and other service recipients. These entities are accountable for their management and use of resources to those that provide them with resources, and to those that depend on them to use those resources to deliver necessary services. Those that provide the resources and receive, or expect to receive, the services will also require information as input for decision-making purposes. "

58. Staff agrees that a number of proposals for strengthening, clarifying and elaborating on the objectives should be considered as the Board continues to develop the Framework - in particular, strengthening the public sector characteristics that provide context to the identification of the objectives and the linkage between accountability and decision making. Staff anticipates that the Board's deliberations on the inclusion, or otherwise, of features of the ED "Key Characteristics of the Public Sector with Potential Implications for Financial Reporting" within the Framework will be significant in this respect. Subject to the Board's direction staff will also attempt to draft material that better articulates the notion of accountability and the linkages between accountability and decision making.

59. A clear majority of respondents identified their support for the objectives as articulated in the ED. Staff is of the view that, while substantive, the responses that propose alternative objectives do not raise matters that have not previously been considered in some depth by the Board as it formed its view on how the objectives of financial reporting by public sector entities should be articulated. Consequently, Staff does not propose that the Board change its direction on this matter at this stage.

Action Requested:

Members are requested to confirm or otherwise staff views regarding the identification of the objectives of financial reporting by public sector entities.

Identification of the primary users of GPFRs

60. Twenty one (21) respondents signaled their support for the identification of service recipients and resource providers (and representatives of these groups) as the primary users of GPFRs of public sector entities - in some cases noting this grouping allows the Board to highlight potential information needs of citizens and other users (Respondent 8, 16, 22, 38, 44). Some respondents expressing support for the identification of users also advocate that the explanation and links to information provided by GPFRs be clarified (Respondent 30, 39).

61. Seven (7) respondents noted support with some reservation, including that greater prominence should be provided to citizens as the primary users (Respondent 26, 47), that explanation of the primary users, and the composition of their representative groups, be clarified and refined (Respondents 12, 29, 37), and whether identification of a primary user is necessary (Respondent 3). One respondent also expressed concern that the explanation of users was focused on the users of GPFRs of governments, to the exclusion of other public sector entities (35)

62. Significantly, sixteen (16) respondents expressed their opposition to the identification of service recipients and resource providers (and representatives of these groups) as the primary users of GPFRs because:

- The primary users should be identified as the public or citizens (Respondent 4, 7, 18, 21, 27, 33, 49, 54);
- The primary users should be identified as resource providers and their representatives (Respondents 6, 15, 46, 50);
- Government, ministers, legislative body or similar (Respondents 15, 32, 42);
- If an objective of providing information for accountability purposes is adopted, identification of a primary user is not necessary (Respondent 28); and
- The distinction between primary users and other users is not helpful (Respondent 2).

63. Ten (10) respondents did not comment specifically on the primary users identified.

Staff Views

64. The Board's view on the primary users of GPFRs was derived from the nature of GPFRs and the rationale underlying the objectives of GPFRs noted above. That is:

- GPFRs are developed to respond to the information needs of users who do not possessed the authority to direct a public sector reporting entity to disclose the information they need. Therefore they are dependent on the standard-setter for establishing the standards that are to be applied by financial reports directed at satisfying their information needs; and

- Governments and public sector entities are accountable to those that depend on them to use resources to deliver necessary services, as well as to those that provide them with the resources to provide those services. GPFRs have a role in the discharge of that accountability and provide information useful to those users for decision making purposes. As such, GPFRs should be developed to respond to the information needs of service recipients and resource providers as the primary users.

- While GPFRs may provide information useful to others (and be widely used by others), they would not be specifically developed to respond to the information needs of those other users.

65. The Board identifies in the ED that citizens are a primary user of GPFRs of public sector entities, but are grouped as service recipients and resource providers to better identify their information needs. This is because citizens encompass a wide range of individual with potentially diverse information needs – without such a sharpening of focus it is not possible to draw together those diverse interests and explore what information needs GPFRs should attempt to respond to. The Framework-ED explains that representative bodies such as parliament or the legislature are also primary users in their capacity as representatives of service recipients and resource providers, and GPFRs respond to their needs in that capacity. Therefore, staff is of the view that those that advocate that citizens, the public and/or their representative bodies be identified as the primary user of GPFRs are not adopting positions substantially different from the Board. However, the explanation of these matters may need to be strengthened and clarified as the Framework is further developed. In particular, some respondents note that the ED should acknowledge that parliaments, legislature and similar bodies make extensive use of, and are "one of the most engaged users of", GPFRs of government reporting entities.

66. Staff continues to support the identification of service recipients and resource providers as the primary users of GPFRs. Staff is uncomfortable with the proposal that the primary users of GPFRs should be identified as only resource providers. Staff is of the view that the Board should not exclude citizens who are interested in GPFRs in their capacity as service recipients from the potential users of GPFRs, or identify their information needs as less important than those of

resource providers. Staff agrees with respondents that note that GPFRs will not provide all the information that users needs for accountability and decision making purposes, and accepts that some information in GPFRs may be of more interest and greater use to some users than others. Staff also accepts that in developing IPSASs and other guidance the Board will need to consider and in some cases perhaps balance the needs of different groups of primary users. However, staff does not believe that such matters invalidate the identification of both service recipients and resource providers as the primary users of GPFRs.

67. Subject to the Board's direction on the identification of primary users, staff will explore mechanism to strengthen and clarify the explanation in the ED and respond to the concerns identified by respondents.

> ***Action Requested:***
>
> Members are requested to confirm or otherwise staff views regarding the identity of the primary users of GPFRs.

Identification of users' information needs and the information provided by GPFRs

68. Fifteen (15) respondents expressed their support for the information needs of users, and the information that may be provided by GPFRs in response, as identified in the ED. Some respondents also identified matters for clarification including that the Framework clarify whether budget reports are GPFRs (Respondent 41), and proposed that the Framework include additional commentary on the disclosure of information about compliance (Respondent 12), and sustainability (Respondent 18, 39).

69. Eleven (11) respondents expressed support with reservations relating to such matters as their view that users should only be identified as resource providers (Respondent 6), the need to acknowledge the importance of historical data to put current period's financial position and financial and service delivery performance in context (Respondent 8) and ability of GPFRs to respond to all the information needs of users (Respondent 11, 32). Some respondents also proposed that the Framework should include greater emphasis on reporting of compliance and greater explanation about reporting of operating objectives and conditions (Respondent 24), sustainability (Respondent 15) and intergeneration equity (Respondent 52). Responses also proposed that the Framework clarify information to be presented in financial statements and accompanying reports (Respondent 13, 14) and proposed a different approach to the explanation of users information needs (Respondent 30, 50).

70. Seven (7) respondents expressed their opposition because of their concerns that the scope was too broad and the Board has not supported its views about user needs with empirical research (Respondents 4, 33, 37, 38, 40, 49) and because of

implementation issues for international public sector organizations (Respondent 35).

71. Significantly twenty one (21) respondents did not comment specifically on these aspects of the ED. One anticipates that in many instances it is because their views had already been communicated by comments on the scope of GPFRs – that is, that the scope of financial reporting should not extend beyond the financial statements. Consequently, it is likely that there is more opposition to certain aspects of the explanation of the information that may be provided by GPFRs than is reflected in these numbers.

Staff Views

72. Many respondents include useful proposals for clarification and enhancement of the text and basis or conclusion that will be considered in a drafting review of this document. However, staff is of the view that some matters identified would be more appropriately dealt with at the standards/guidance level rather than in the Framework. These include, for example, proposals for disclosures about compliance with particular legislative requirements, disclosure of operational objectives and achievements and more detailed explanation of what information may be included in sustainability reports. Staff propose to bring these matters to the Board's attention as drafting of this section develops

73. Many of the fundamental concerns raised by respondents in respect of user information needs and the information that may be provided by general purpose financial reports relate to the scope of financial reporting. The Board's decisions regarding the scope of financial reporting and the structure of the ED, raised previously in this memorandum, are critical to the direction and content of this section. Some respondents also sought guidance on whether information is to be presented in financial statements or reports accompanying those statements. Whether additional guidance about the location of particular disclosures should be provided in this section of the Framework is likely to involve consideration of matters being developed in Phase 4 of the Framework dealing with presentation.

74. Staff does not believe it appropriate to pursue these matters separately at this stage. Rather, staff proposes that as part of its discussion of the scope of financial reporting the Board provide broad directions for the further development of this section of the Framework.

Action Requested:

Members are requested to provide staff with broad directions for the development of this section of the ED in conjunction with its discussion of the scope of financial reporting.

Specific matters for comment 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.

75. SMC 3 requested comments on the Qualitative Characteristics (QCs) and constraints generally, and whether:

- The term "faithful representation" rather than "reliability" should be used in the Conceptual Framework; and
- Materiality should be classified as a constraint on information that is included in GPFRs or as an entity-specific component of relevance.

76. Most respondents provided overall comments on the QCs and constraints and then responded to each of the specific issues raised in the SMC. Some also commented on each QC and constraint. The summary and collation of comments at Agenda item 4B.2 reflects that approach.

Overall views on the Qualitative Characteristics

77. Sixteen (16) respondents expressed broad support for the QCs and constraints as identified - with some suggestions for clarification of application of the QCs (Respondent 3) and a proposal that whether the QCs should be classified as fundamental or enhancing should be revisited after the other phases of the Framework are more fully developed (Respondent 34).

78. Eighteen (18) respondents expressed support with reservations. For the most part those reservations were that:

- A classification of QCs as fundamental and enhancing had not been adopted (Respondent 6, 11, 13, 20, 21, 23, 44, 46); and
- Application of all the QCs to all the matters that may be encompassed by the broad scope proposed for GPFRs is problematic (Respondents 7, 13, 26, 31, 32, 49). This was also identified by respondents who commented separately on verifiability (Respondents 1, 3, 16, 49, 54).

79. Twenty (20) respondents did not provide an overall view on the QCs, focusing their comments in individual QCs and constraints. No respondent expressed blanket opposition to the QCs.

80. Respondents also identified a number of editorial and other matters for clarification or greater emphasis, some of which were also identified by respondents when commenting on individual QCs or expressing their views on whether the term faithful representation or reliability should be adopted. These matters are brought together in Figure 1 below.

Faithful Representation or Reliability

81. Thirty one (31) respondents expressed support for the use of faithful representation rather than reliability – in many cases not elaborating on the specific reasons for their support, in some cases noting that faithful representation is a better expression of the nature of the concept intended (Respondent 8, 10, 25, 32, 52) and in other cases noting that there was significant benefit in alignment with the terminology adopted by the IASB, particularly given the substance of the qualitative characteristic is the same (Respondents 6, 13, 14, 20, 21 34, 41, 46).

82. Three (3) respondents expressed support with reservations including that reliability and faithful representation are not the same, but the change should be supported to align with the IASB terminology (Respondent 36), reliability may still come into play in some circumstances (Respondent 36) and reliability is not misleading (Respondent 31).

83. Eleven (11) respondents did not support the replacement of reliability with faithful representation because:

- Of a concern that faithful representation implied the adoption of fair value or market value accounting (Respondent 4, 22, 40 – respondent 33 also noted the potential for this interpretation);
- Reliability and faithful representation are not interchangeable terms (Respondent 11, 16, 18 – see also respondents 26 and 36 who made similar observations);
- Reliability is used in the International Standards of Audit (Respondent 24);
- The change in terminology is not necessary or justified (Respondent 7); and
- A "true and fair view" or "reliability" should be used because these are more robust concepts than faithful representation (Respondents 26, 47, 49 – see also response 23 which advocated that" true and fair view" be added as an additional QC).

84. Nine (9) respondents did not comment specifically on this matter.

Figure 1: Additional matters identified in responses to the Qualitative Characteristics

- Substance over form is an important characteristic of information included in GPFRs and it is important that it be retained as currently expressed (Respondent 22, 37, 38, 49) or elevated to a separate QC (Respondent 33).
- Notions of caution, conservatism or prudence should be more prominent (Respondents 7, 22, 49).
- Reliability, neutrality and completeness should be identified as separate QCs (Respondent 24).
- The proposed QCs are constructed differently from those in IPSAS 1 and it must be clear they do not reflect a lower quality standard than the QCs identified in IPSAS-1 (Respondent 49).
- "Accountability value" should be identified as a component of relevance or otherwise as a QC (Respondent 40, 45).
- Legislation should be identified as a reporting concept and it is not clear that a distinction between the QCs and constraints is necessary (Respondent 24).
- Drafting and emphasis of certain aspects of relevance (Respondent 49) and timeliness (Respondent 20) should be revisited.
- The relationship between comparability and consistency should be clarified, including that comparability should not be read to obstruct developments in financial reporting (Respondent 20, 24, 26, 27).
- The explanation of understandability should acknowledge that it may be necessary to present information differently or in summary form for different groups of users (Respondent 52);
- Timeliness should be classified as a constraint rather than a QC (Respondent 1) or included under relevance (Respondent 38).
- Verifiability should be classified as a component of faithful representation rather than a QC in its own right (Respondent 23).

Staff views

Application of the QCs to the broad scope proposed for GPFRs

85. The Board's decisions on the scope of GPFRs will impact on concerns regarding the applicability of the QCs to the broad scope of information that may be included in GPFRs. Staff is of the view that most respondents would accept that, if the Board remains of the view that the scope should be broad, the observations

in paragraph 3.5 (see below) regarding additional guidance on application of the QCs to broad scope matters is appropriate. (However, as noted earlier in this memorandum, many respondents would also wish to see additional explanation of the audit implications of that broad scope, noting in particular that a lower level of assurance should be expected for GPFRs dealing with non-financial and prospective financial information.)

"…The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond financial statements including their notes will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters." (Framework paragraph 3.5)

86. Consequently staff does not propose that changes be made to the suite of QCs because of the potential broad scope of GPFRs.

Classification of QCs as either fundamental or enhancing

87. Staff notes that the Board has considered at some length whether QCs should be classified as fundamental and enhancing in the process of developing the Consultation Paper #1, and subsequently the Framework ED-1. While noting the benefits of aligning with the IASB on this matter, the Board decided that on balance it would not adopt such a classification. Its reasons for doing so are outlined in BC3.28 - 3.29. While a number of respondents did express concern about the departure from the IASB approach of identifying the QCs as either fundamental or enhancing, the majority of respondents did not object to the Board's view that such a classification should not be adopted. Consequently, Staff does not believe it appropriate to, at this stage, identify certain QCs as fundamental and others as enhancing.

Use of the term faithful representation or reliability

88. The majority of constituents have accepted the Board's arguments for use of the term *faithful representation* rather than *reliability*. Consequently, staff's view is that the term should be adopted going forward. As the Board focuses on the drafting of this section, respondent's proposals for clarification will then be considered and dealt with.

89. A number of respondents expressed concern that use of the term *faithful representation* implies the adoption of fair value or market value accounting. Staff is of the view that this implication is not intended, and proposes that, as this section of the Framework is further developed, the Board strengthen the basis for conclusion to clarify that this is not the intent.

90. Some respondents express the view that *faithful representation* and *reliability* are different in substance, and the change in terminology may undermine the operation of the QCs as a group. Some respondents propose that the term "true

and fair view" should be adopted because it encompasses the qualities of both faithful representation and reliability. As noted in BC 3.4, the Board's view is that while a true and fair view does represent an overarching quality that GPFRs should aspire to achieve, it does not exist as single separate qualitative characteristic—rather, a true and fair view results from application of all the qualitative characteristics and the IPSASs.

91. Staff had anticipated that the explanation that "Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error" and elaboration of its components would have protected against the loss of any of the qualities that were formerly reflected in reliability. Staff will follow-up with respondents who identified these concerns to better understand the issue and explore means to overcome them if possible.

Other issues

92. Some respondents expressed the view that the explanation of matters such as substance over form, completeness, neutrality and conservatism or prudence should receive greater prominence - in some cases noting they should be identified as individual QCs in their own right and/or explained in the same way as currently in Appendix B of IPSAS 1. These matters have been considered previously by the Board. The basis for conclusions BC 3.14 – BC 3.17 explains the outcome of the Boards deliberation on these matters. At this stage staff does not propose any changes in respect of them. However, as drafting of this section of the Framework is developed, staff will bring these proposals to the attention of the Board for its consideration.

93. In this context staff wish to draw two matters to the attention of the Board:

- Some respondents sought clarification of the relationship between comparability and consistency, expressing some misgivings that the explanation of comparability may be read as an impediment to enhancements in financial reporting over time. Staff is of the view that that these respondents do make a good point. Consequently, there is a case that the basis for conclusions should acknowledge that comparability should not be read as limiting the ability of accounting policies to change to better represent particular transactions and events. Subject to Board approval, staff will draft wording to this effect for Board review; and

- Some respondents express the view that "accountability value" should be identified as a separate QC or specific component of relevance. Staff is of view that the consequence of identifying the QCs as attributes that make information useful and support achievement of the objectives, is that accountability is embedded in and already has a pervasive impact across the QCs – that is, information must be relevant for accountability and decision making purposes. Therefor, in staff's view, the issue is not so much the identification of an additional QC, but whether further emphasis or more

explicit reference to this matter is appropriate. Staff will follow-up with respondents who identified these views to better understand the issue and explore an appropriate response, and will report back to the Board.

> ***Action Requested:***
>
> Members are requested to confirm staff proposals in respect of the identification of the Qualitative Characteristics, use of the term *faithful representation* and process for the further development of this section of the Framework.

Classification of materiality as a constraint or entity specific component of relevance.

94. Twenty one (21) respondents expressed the view that materiality should be classified as a broad constraint as proposed in the Framework ED-1, in some cases expressing their view that it could potentially impact a number of the QCs (7, 8, 10, 12, 14, 18, 22, 24, 26, 27, 29, 31, 36, 37, 38, 39, 45, 47, 49, 52, 54). Some of these respondents also noted that while classified as a constraint, in practice materiality was applied in an entity specific manner (22, 39, 52). Others expressed the view that its positioning as a constraint was important to condition and balance cost-benefit assessments (Respondents 18, 52 – a similar point was also made by respondent 34.)

95. Twenty (20) respondents expressed the view that materiality should be classified as an entity specific aspect of relevance, in many cases noting that materiality is not a constraint or limitation on what an entity may report – rather, what is material is assessed on an entity specific basis by reference to its relevance to the achievement of the objectives of financial reporting (Respondents 1, 2, 3, 4, 6, 11, 13, 16, 20, 21, 23, 25, 34, 35, 40, 41, 44, 46, 50). Some also expressed concerns about how materiality would be operationalized as a constraint (41).

96. Fourteen (14) respondents did not comment specifically on this matter.

Staff Views

97. The rationale underlying the Board's view that materiality should be identified as a constraint is that, in the absence of the identification of relevance and faithful representation as fundamental qualitative characteristic with the other QCs operating as enhancing QCs, it is important that materiality can be considered in conjunction with each QC and the cost benefit constraint. This is a view reflected in the comments of many respondents, for example:

"...In this regard, it is our view that it should be considered in relation to all qualitative characteristics and not just from the perspective of relevance. It should be given the same consideration as cost-benefit in relation to determining if an event or transaction would be considered significant by the primary users of financial statements in making assessments and judgments." (Respondent 7)

98. Staff has previously supported that view. However, Staff is increasingly being swayed to the view that materiality is an aspect of relevance – this is because, as noted by a number of respondents, a constraint is "*a limitation or restriction"*. However, as explained in the Framework, materiality does not act as a constraint, rather what is material is determined by the extent to which its omission or misstatement will influence the discharge of accountability or decision making by users. This is reflected in the comments of those that support the classification of materiality as an entity specific aspect of relevance, for example:

"Materiality should not be considered as a constraint regarding the information to be included in financial reports or not. Accordingly, it should not be a limit on the presentation of financial information. Rather, materiality is an aspect of relevance since financial information is material if its omission or its inaccuracy could influence the decisions of users." (Respondent 40)

"The AASB considers materiality to be an entity specific aspect of relevance. This is because, unlike cost, materiality is not a constraint on a reporting entity's ability to report information; and materiality does not affect standard setters' decisions because it is an entity-specific consideration. (Respondent 46)

Staff proposes that materiality be identified as an entity specific aspect of relevance. This replicates to some extent its existing classification in Appendix B of IPSAS 1.

> ***Action Requested:***
>
> Members are requested to confirm or otherwise staff's proposal that materiality be classified as an entity specific component of relevance.

QCs and constraints - other matters

99. Respondents made a number of other comments on the QCs and constraints, including recommendations that the Board clarify the meaning of certain terms, such as "other phenomena" (Respondents 41, 46) and "transparency" in the context of prospective and non financial information (Respondent 1), clarification of the operation of the cost benefit constraint in particular circumstances (Respondents 24, 45, 52) and an acknowledgement that costs and benefits may differ for different entities (Respondents 3, 30).

100. These matters are not dealt with here. Rather staff will bring them to the Board's attention as deliberations focus more sharply on the explanation of the QCs and constraints and their consequences. In some cases, staff will follow up with the respondent to better understand the underlying concern.

Specific matters for comment 4: The reporting entity and Group Reporting Entity.

Description of the reporting entity

101. As explained at BC 4.2, the Framework does not identify which governments or public sector organizations, programs or activities should be identified as a reporting entity or group reporting entity. That is a matter for legislation or other authority within each jurisdiction.

"The Conceptual Framework does not identify which governments or other public sector entities, programs or activities should be identified as a reporting entity or group reporting entity. The IPSASB is of the view that this is not the function of the Conceptual Framework. Rather, entities or activities (or groups thereof) that are to prepare GPFRs will be specified in legislation, regulation or other authority, or be determined by relevant authoritative bodies with knowledge of the characteristics of public sector entities in their jurisdiction and the likely information needs of users. In addition, some entities or activities (or groups thereof) may voluntarily elect to prepare GPFRs. (paragraph BC4.2)

102. However, the Framework does identify that:

"…a key characteristic of a reporting entity is the existence of service recipients or resource providers who are dependent on GPFRs for information about the activities of particular governmental organizations, programs or other identifiable activities for accountability or decision-making purposes." (paragraph 4.2)

It also identifies factors that are likely to signal the existence of users of GPFRs of public sector organizations, programs or activities.

103. Twenty one (21) respondents expressed support for the explanation of the reporting entity, though some noted that the drafting was too focused on governments to the exclusion of other public sector entities (Respondent 35) and that additional application guidance would be needed at standards level (Respondent 39). One respondent also noted that the Framework should make it clear that a GPFR for the whole of government, whether at national, state or other level, was to be prepared (Respondent 49).

104. Ten (10) respondents expressed support for the concept of the reporting entity with reservations, in many cases noting that the explanation may be interpreted as requiring programs or activities that form part of an organization to be identified as separate reporting entities and, therefore, be required to prepare GPFRs. Some respondents express the view that every entity that manages public funds should be required to prepare financial reports (Respondent 9). Other respondents encourage the Board to provide additional guidance to condition or qualify the interpretations that may be made about what constitutes a reporting entity, and to assist in identifying which entities should be identified as reporting entities (Respondents 1, 3, 4, 6, 16, 33, 46, 52). One respondent also advocates that the

Framework should identify the overarching principle of what is a reporting entity, with additional detail established at standards level (respondent 30).

105. Ten (10) respondents expressed their opposition to the explanation of a reporting entity included in the ED. Some of these respondents:

- express concern that that the concept of the reporting entity was too broad and ill defined (Respondent 7, 31, 37, and 38);
- advocate that the Framework only briefly address the concept of the reporting entity (Respondent 40 – see also response 30);
- advocate that the Framework should reflect the approach adopted by the IASB (Respondent 2);
- express the view that guidance on the identification of the reporting entity should not be included in the Framework but should be established at the standards level (Respondent 21, 24);
- express concern that the guidance does not reflect the legislative framework in place in different jurisdictions (Respondent 51); and
- express opposition to the notion that legislation or other authority, rather than the Framework, would determine which entities were reporting entities (Respondent 19).

106. Thirteen (13) respondents did not comment specifically on the reporting entity section, in a number of cases focusing their comments on the material dealing with the group reporting entity.

Staff view

107. Many respondents expressed support for the broad approach proposed by the Board. The majority of concerns identified by respondents relate to the potential for there to be different interpretations of the concept, with significant implications for what might be identified as a reporting entity in practice. Staff is of the view that some of these concerns may arise because the Board's intent is not fully appreciated. The Board's intent is that the Framework identify the characteristics that a reporting entity is likely to posses. However, whether a particular organization, program or identifiable group of activities is identified as a reporting entity, and therefore is required to prepare GPFRs, would be determined by legislation, regulation or authority in particular jurisdictions.

108. While this sense is intended by paragraph 4.6, it is captured more sharply in basis for conclusions paragraphs BC 4.2 and BC 4.5. In agreeing with the Board's view Respondent 49 neatly illustrates this by identifying the paragraphs of the ED that need to be brought together to crystallize the intent of the explanation:

"The general definition (§4.1) of the public entity obligated to GPRF, or of the group of entities, raises no problem. The understanding is that to ascertain the basic entity obliged to present financial reporting, we refer to the requirements of national legislation" (4.5, 4.6 & BC 4.2).

109. Staff is of the view that there is a case for moving the sentiments of BC 4.2 and BC 4.5 to the text itself to make it explicit that the Framework does not identify which entities are reporting entities. Rather it identifies factors that are likely to signal the existence of users of GPFRs of a government organization, program or identifiable activity. Subject to the Board's direction, staff could incorporate such sentiments in a draft for consideration of the Board at the next meeting, together with other editorial and drafting-type clarifications identified by respondents.

110. Some respondents also advocate that the Framework provide additional guidance on the characteristics that may indicate what is, and what is not, a reporting entity, in some cases identifying what that guidance may include. Staff finds this approach appealing. In this context, staff notes that in developing the consultation paper CP#1, the Board did consider whether to explore an approach that provided more details about the characteristics and circumstances that might signal the existence of a reporting entity. However, the Board ultimately determined that it was more appropriate that the Framework reflect that it is legislation, regulation or other authority that will identify whether a public sector organization, program, or identifiable activity is to prepare GPFRs – though in some cases, GPFRs for these entities may be prepared on a voluntary basis.

> ***Action Requested:***
>
> Members are requested to confirm staff proposals for clarifying the intent of the reporting entity section, and to provide directions regarding the desirability of developing additional guidance for the identification of a reporting entity.

The Group Reporting Entity

111. The rationale underpinning the Board's view on what should be encompassed by a group reporting entity is captured at paragraph 4.9 of the Framework ED-1:

The disclosure of information about the resources, obligations and service delivery or other activities that a government as a whole (or other public sector entity) has the authority and capacity to direct, including those it can direct through other entities, will be necessary for accountability and decision-making purposes when the results of such direction can generate benefits for the government (or other public sector entity) or expose it to a financial burden or loss.

112. Other paragraphs and basis for conclusion in this section of the Framework ED-1 then explain the background to this view, expand on the criteria that should be considered in determining the boundaries of a group reporting entity and note that

jurisdictional factors will need to be considered in developing authoritative requirements for the identification of group reporting entities.

113. Twenty two (22) respondents expressed support for the explanation of the group reporting entity in the ED, in some cases noting that additional guidance would be required to deal with particular transactions and jurisdictional specific circumstances and/or legislative requirements (Respondents 22, 39, and 49). One respondent advocate that the Board express the criteria at a higher conceptual level (Respondent 45).

114. Nine (9) respondents express support for the explanation of the group reporting entity as identified in the ED with some reservations. Some of these respondents include proposals that the Framework clarify certain matters including the circumstances in which a group reporting entity would exist (Respondents 3, 16, 20), deal with particular transactions and circumstances (Respondents 8, 9) and acknowledge legislative override (Respondent 13). Some respondents also propose that the Framework establish the principles at a higher level (Respondent 1), acknowledge control as an overarching criterion (Respondent 46), and distinguish regulatory authority from authority to direct the entity (Respondent 54).

115. Fifteen (15) respondents expressed opposition to the explanation of the group reporting entity because the implications of the criteria identified may be interpreted as requiring or promoting consolidation of different levels of government in some jurisdictions (Respondents 4, 7, 31, 33, 37, 38, 40), with some advocating that additional guidance be provided to ensure that this does not occur. Some respondents also expressed the view that identification of a group reporting entity should not addressed in the Framework or, if it is, its discussion should be at a higher conceptual level than currently reflected in the ED (Respondents 21, 24, 30, 41, 50, 52 – see also respondents 7, 38, 45). Other respondents, express concern that the guidance is too broad and does not deal with a number of significant circumstances (Respondent 19) and does not align with the IASB guidance (Respondent 6).

116. Eight (8) respondents did not comment specifically on the group reporting entity.

Staff views

117. Many respondents expressed support for the approach proposed by the Board, with proposals for clarification of the explanation of the matters and improvements in their drafting. Staff proposes to deal with those matters as the section is further developed. However, a substantial number of respondents also identify concerns with the explanation of the group reporting entity. At this meeting staff seek Board guidance on the broad direction of development of this section, in response to those concerns.

118. The criteria for inclusion within a group reporting entity are explained in the ED in terms of: authority and capacity to direct the activities of another entity and the potential to benefit or be exposed to a financial burden or loss as a consequent. The majority of concerns identified by respondents relate to possible interpretation of these criteria and whether they are too sharply focused for inclusion within a Framework. A number of respondents propose that the criteria be re-expressed as higher level principles, or indeed that the Framework not include a discussion of the group reporting entity – rather such matters be dealt with at standards level.

119. Staff find the proposal that the criteria be re-expressed as higher principles appealing, particularly since a number of respondents, whether expressing broad support or opposition to the Board's approach, also raise specific issues relating to interpretation of the wording of the criteria (Respondents 7, 8, 19, 30, 38, 40, 50) – issues that reflect the sort of analysis and concern one would expect when developing requirements in an IPSAS.

120. Staff anticipates that Board would also support the re-expression of these criteria as higher level principles. But just how that can be achieved is not clear. The Board has steadily refined its explanation of the group reporting entity in the interests of moving to a more principle based/higher level approach. As noted in paragraph BC 4.13, in moving from the Consultation Paper CP-1 to the ED, the Board re-expressed the criteria for inclusion in a group reporting entity to refer more broadly to the underlying principles and circumstances.

121. The expression of a simple principle that the group reporting entity should be determined by the existence of users dependent on GPFRs for information about the group has been mooted in the past. However, staff is of the view that it adds little to the role of Framework.

122. The Board has also considered whether the underlying principle of a group reporting entity should reflect that the group reporting entity would include all the entities that the government or other reporting entity is accountable for, or all the entities that it controls – with specification of how one determines what the government, or other public sector entity, is accountable for, or controls, being pushed down to the standards level. However, as noted in the basis for conclusions BC4.10, the Board is of the view that the use of these sorts of terms is not helpful since they can have different meanings in different jurisdictions.

123. At the forthcoming meeting staff will seek the Boards direction on the focus and direction of this section of the Framework. In particular, whether the section should be retained, whether the criteria for inclusion within the group reporting entity should be recast at a higher principle level, and how that might be achieved.

124. Some respondents seek additional guidance on the implications of the criteria in a number of circumstances, including whether central banks, statutory authorities, and a range of special purpose entities would be included in the group reporting

entity, and whether national, state/provincial and local governments would form group reporting entity.

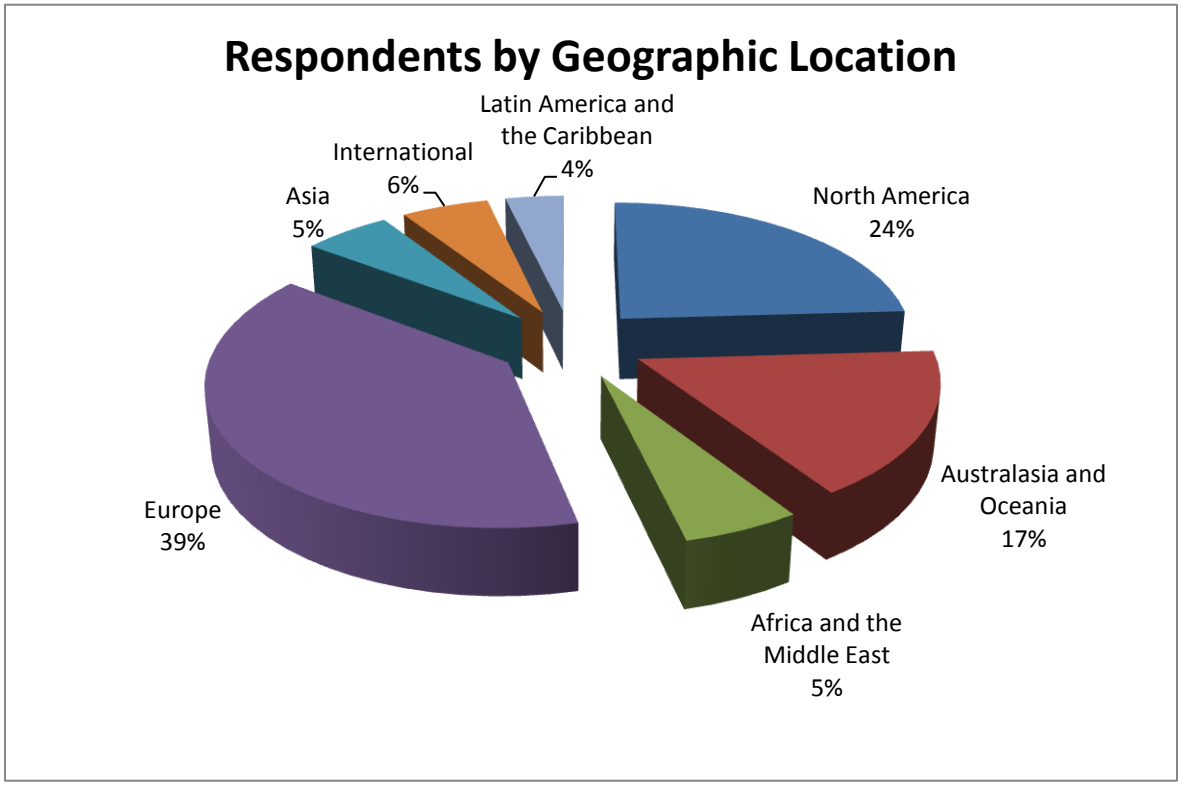
125. Staff is of the view that these are important matters and should be dealt with at standards level, but are not convinced that they fit in the Framework. In a number of cases they have been specifically considered by the Board as it developed the CP.

> ***Action Requested:***
>
> Members are requested to confirm staff proposals that this section be retained in the Framework and provide directions for its further development.

RESPONSES TO Framework ED 1- REGION, FUNCTION, LANGUAGE

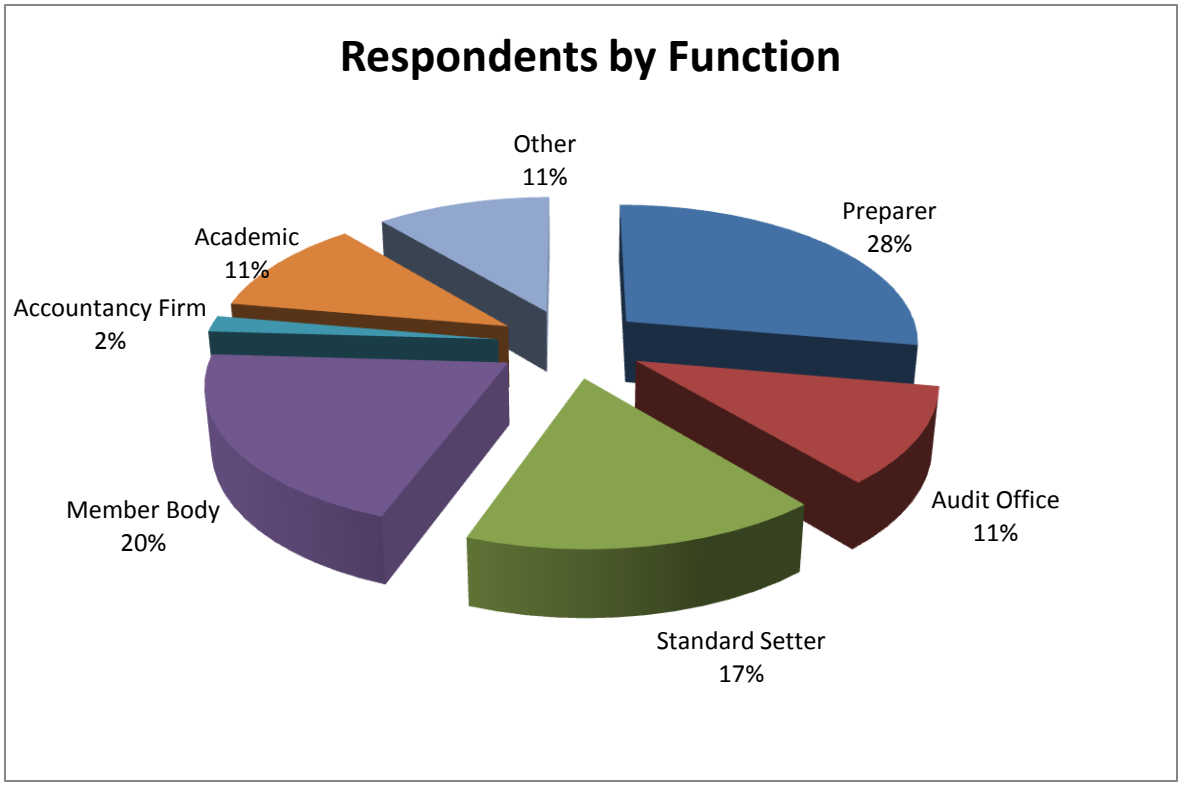
Geographic Breakdown:

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



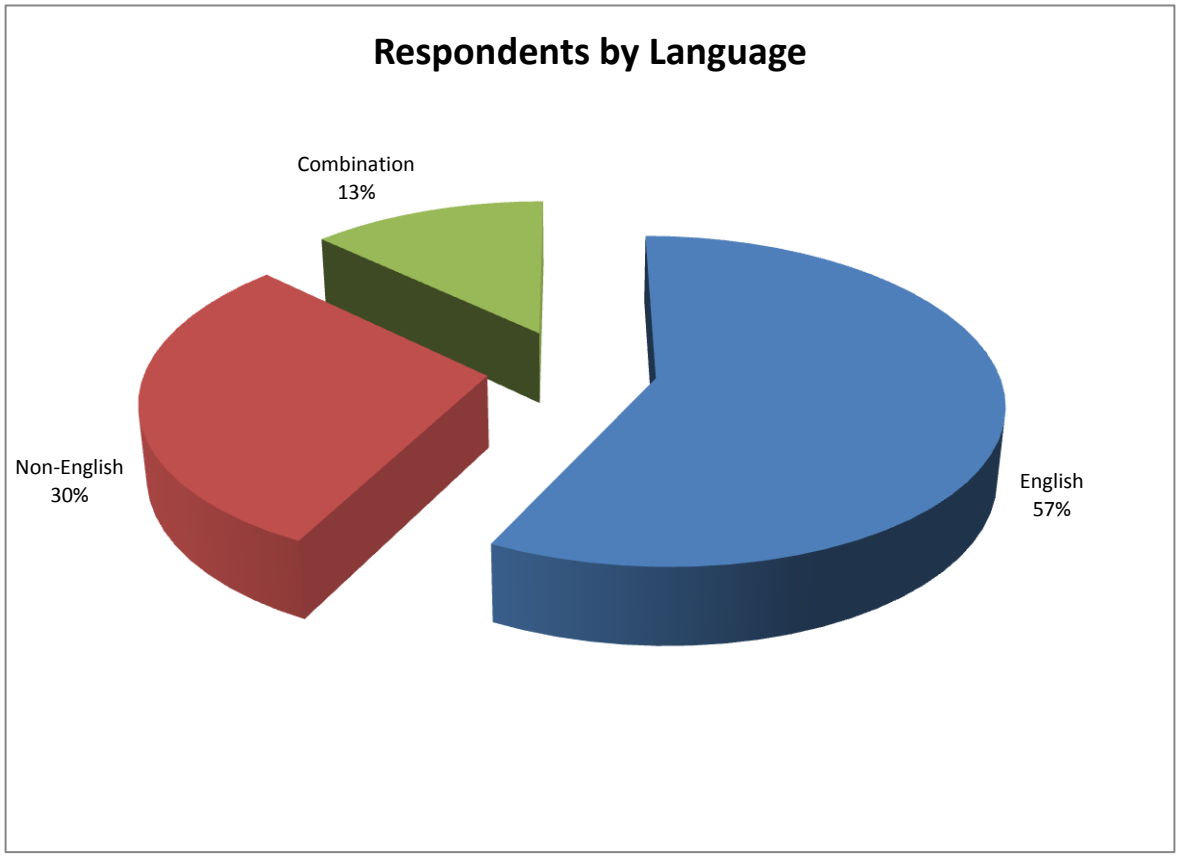
Functional Breakdown:

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



Linguistic Breakdown:

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



STAFF SUMMARY AND COLLATION OF RESPONSES TO CONCEPTUAL FRAMEWORK ED 1-

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity

(*Note: This collation includes only key extracts of each response received to the Framework ED 1.These extracts have been grouped to identify respondent's views on key issues. In some cases, an extract may not do justice to the full response. In some cases, to sharpen the focus of this collation, staff has summarized the text that introduces a key extract rather than reproduce all of the comment letter itself- these summaries are identified by italicized text. This collation should therefore be read in conjunction with the submissions themselves.)*

List of Respondents:

Response #	Respondent Name	Country	Function
001	KPMG IFRG Limited	UK	Accountancy Firm
002	Australasian Council of Auditors-General (ACAG)	Australia	Audit Office
003	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
004	Ministry of Finance Ontario	Canada	Preparer
005	Swedish National Financial Management Authority	Sweden	Standard Setter/Standards Advisory Body
006	New South Wales Treasury	Australia	Preparer
007	Provincial Government of Newfoundland and Labrador	Canada	Preparer
008	Association of Government Accountants	USA	Member or Regional Body
009	Federation of Professional Councils of Economic Sciences (FACPCE)	Argentina	Other
010	The Institute of Chartered Accountants of Pakistan (ICAP)	Pakistan	Member or Regional Body
011	Institut der Wirtshaftprufer (IDW)	Germany	Member or Regional Body
012	Instituto de Censores Jurados de Cuentas de España (ICJCE)	Spain	Member or Regional Body
013	The Institute of Chartered Accountants of Scotland	UK	Member or Regional Body
014	Swiss Public Sector Financial Reporting Advisory Committee	Switzerland	Standard Setter/Standards Advisory Body
015	University of Canterbury	New Zealand	Academic
016	Accounting Standards Board	UK	Standard Setter/Standards Advisory Body
017	Kazutoshi Ishii (Aoyama Gakuin University)	Japan	Academic
018	The International Consortium on Governmental Financial Management (ICGFM)	Supranational	Other
019	International Monetary Fund	Supranational	Other

Response #	Respondent Name	Country	Function
020	The Japanese Institute of Certified Public Accountants	Japan	Member or Regional Body
021	Ordre des Comptables Agrees du Quebec	Canada	Member or Regional Body
022	Prof. Ron Hodges (University of Sheffield)	UK	Academic
023	National Audit Office	Malta	Audit Office
024	Auditor-General of South Africa	South Africa	Audit Office
025	Wales Audit Office	UK	Audit Office
026	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
027	Association of Chartered Certified Accountants (ACCA)	UK	Member or Regional Body
028	Prof. Richard Laughlin (King's College London, University of London)	UK	Academic
029	Federation of European Accountants (FEE)	Supranational	Member or Regional Body
030	The Treasury of New Zealand	New Zealand	Preparer
031	Ministry of Finance of Saskatchewan	Canada	Preparer
032	Danish Agency for Governmental Management	Denmark	Preparer
033	Province of British Columbia	Canada	Preparer
034	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
035	United Nations Systems	Supranational	Preparer
036	Zambia Institute of Chartered Accountants	Zambia	Member or Regional Body
037	Government of Nova Scotia	Canada	Preparer
038	Government of Canada	Canada	Preparer
039	HM Treasury	UK	Preparer
040	Ministry of Finance Quebec	Canada	Preparer
041	New Zealand Institute of Chartered Accountants –Financial reporting Standards Board	New Zealand	Standard Setter/Standards Advisory Body
042	Prof. Martin Dees (Nyenrode Business University)	Netherlands	Academic
043	The Charity Commission for England and Wales	UK	Other
044	Joint Accounting Bodies	Australia	Member or Regional Body
045	Staff of the Public Sector Accounting Board (PSAB) – staff views	Canada	Standard Setter/Standards Advisory Body
046	Australian Accounting Standards Board (AASB)	Australia	Standard Setter/Standards Advisory Body
047	Direction Générale des Finances Publiques	France	Preparer
048	Public Sector Accounting Board (PSAB)	Canada	Standard Setter/Standards Advisory Body
049	Cour des Comptes	France	Audit Office
050	Office of the Auditor General	New Zealand	Audit Office

Response #	Respondent Name	Country	Function
051	Denise Silva Ferreira Juvenal	Brazil	Other: Accountant
052	Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
053	Dr. Joseph S. Maresca	USA	Academic
054	Comptroller's Division of Manitoba	Canada	Preparer

GENERAL COMMENTS, OPENING REMARKS AND OVERALL VIEWS

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
001		We strongly support the IPSASB's efforts to establish an international conceptual framework for general purpose financial reporting by public sector entities (the 'Framework'). The Framework is very important for the development of International Public Sector Accounting Standards ('IPSAS') that are consistent and forms the basis for the evolution to a more effective and efficient standards-setting process....While supportive of the development of the Framework, we have comments on the undertaking of the Framework project, as well as comments on specific matters addressed in the ED. These comments follow below.	See comments on SMCs, particularly scope and its consequences and reporting entity.
002		Overall, ACAG supports those concepts outlined in the exposure draft, but draw the IPSASB's attention to the specific comments made in our response.	See comments on each SMC - identifies a number of matters for further consideration.
003		HoTARAC commends the IPSASB's efforts1s in drafting a comprehensive Conceptual Framework (the Framework) for public sector entities. HoTARAC acknowledges that IPSASB has actioned several issues raised in HoTARAC's previous submission on this matter. HoTARAC is generally supportive of the proposed Framework; in particular the emphasis placed on the existence of dependent users in determining whether it is appropriate to prepare General Purpose Financial Reports (GPFRs). *[Staff comment – Respondent also identifies as particular strengths of the proposed Framework: explanation of the evolution of the scope of financial reporting (para 1.), factors likely to signal the existence of dependent users in determining whether a reporting entity exists (paras 4.4); how to apply the principles in determining whether a group reporting entity exists (paras 4.11 and 4.12).]* However, HoTARAC does have particular concerns with the ... divergence between the IPSASB and International Accounting Standards Board Frameworks, ...exclusion of Government Business Enterprises (GBEs) from the Framework; the non-authoritative status of the Framework; and the omission of high level principles in the Framework in relation to differential reporting...; and the distinction between audited information, and other unaudited material requiring a lower level of assurance... the need for the Framework to acknowledge that the appropriate levels of verifiability and assurance will differ for audited financial statement information and other, unaudited material in various reports.*[Staff comment-]* HoTARAC strongly recommends that the IPSASB's Framework (as the term implies) be restricted to high-level principles that are appropriate to reporting by a broad range of public sector entities. HoTARAC believes that issues relating to the practical application of those high-level principles	Noted These concerns are developed further and included under appropriate heads in this collation.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		only be dealt with in IPSASs.	
004		*Staff comment: Notes the following broad key issues arise from review of the Exposure Draft*: 1. The IPSASB conceptual framework needs to specifically address the role of government and the accountability it has to the public. The conceptual framework needs to acknowledge the existence of constitutional and legislative structures that exist which can impact how governments should report. 2. The IPSASB conceptual framework should be limited to supporting the preparation of General Purpose Financial Statements (GPFS) that meet the informational needs of the general public and not try to encompass broader financial reporting. 3. The conceptual framework should recognize and support the financial accountability relationship governments have to the public, and not try to change the relationship by implementing a sector neutral approach for financial reporting. 4. The public sector in Canada is driven by balanced budget concepts and delivering appropriate services to the public, and not the accumulation of equity or profit maximization. As a result, a revenue/expense approach to measuring government performance aligns best with the objectives of GPFS users in the public sector. In light of our suggestion that IPSASB reconsider and re-focus its scope for the conceptual framework, we have provided additional details in the attachment which respond to the specific questions posed in the Exposure Draft.	Staff anticipates that the key characteristics ED will respond to some of the contextual issues raised, but further explanation and clarity at relevant points in the ED should be considered. Further explanation of these and other matters, and staff views thereon, are included under relevant issues in the body of this collation.
005		We support the ED and agree with all the specific matters for comment. *[Staff comment- see also observations on difference between reliability and faithful representation under relevant issue in the body of this collation]*	Noted
006		NSW Treasury believes that the IPSASB approach is contrary to long term convergence between the IPSASB and IASB requirements.... By having a separate IPSASB project on the Conceptual Framework, the IPSASB risks losing the discipline of rigorously analyzing and justifying departures from the IFRS, which is the IPSASB's approach to individual IFRSs.	See comments on each SMC where this and other concerns are developed.
007		While it is recognized that significant differences that exist across countries and jurisdictions create challenges in developing an international conceptual framework, it is none the less that the foundational concepts and principles of such a framework must allow a government to provide financial reporting that reflects jurisdictional attributes and constitutional structures. In this respect, if a conceptual framework develops principles that do not appreciate unique characteristics or legislative structures across governments and its government organizations, it will not provide financial	The Board had intended that the principles in the Framework would enable IPSASs and guidance to respond to jurisdictional differences.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		information that is useful and informative for the primary user. In relation to CF-ED 1, we have concerns with the extension of the scope to areas beyond the financial statements and the proposal relating to the basis in which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity. We previously provided these concerns to IPSASB (April 14, 2009) in comment to the consultation paper during that phase of the project. These particular proposals are not supported as they do not appear to respect the unique constitutional framework here in Canada and intends to provide guidance in reporting areas that should remain within the authority of individual jurisdictions.	Noted - the scope of GPFRs is identified as a major issue by many respondents. Respond also expresses substantial concern with the proposals relating to reporting entity.
008		We strongly support the efforts by the International Public Sector Accounting Standards Board (IPSASB) in developing this Conceptual Framework. Both U.S. standard setting bodies for this community, the Federal Accounting Standards Advisory Board (FASAB) and the Governmental Accounting Standards Board (GASB) have issued Concept statements for their particular public sectors which are appropriately tailored for the unique elements of their respective constituents. This draft Concept Statement incorporates many of the strengths of these documents but has the opportunity to provide a global strategic direction that may enhance the usefulness of all public sector financial reporting. We have noted that Phase 4 of this project is expected to evaluate how to present financial and non-financial information in General Purpose Financial Reports (GPFRs). However, we believe Phase 1 of the framework project provides a better opportunity to emphasize that the GPFRs should provide users with information on historical financial performance as well as current financial performance and condition. *[Staff comment - Notes support for inclusion in the Framework of the discussion in the ED on Key Characteristics of the Public Sector. See also comments in the body of this collation under specific relevant issues.]*	Noted - The IPSASB will consider interaction between the phases before finalisation of Framework. Board will also consider role & placement of "key characteristics" as responses to that ED are considered.
009		Opinions of the Federation of Professional Councils of Economic Sciences(FACPE)	Comments on each SMC-proposes clarification of certain matters
010		The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above mentioned exposure draft. Please find enclosed the comments of the relevant Committee of the Institute for your perusal.	Comments on each SMC. Staff is following up to confirm some responses.
011		The IDW recognizes that there is a distinct need for a conceptual framework for general purpose financial reporting by the public sector. We continue to believe that, as stated in our letter to you dated 31 March 2009, the discussion is of fundamental importance for the future development of	Noted -The Framework is not a convergence project. However, development of

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		International Public Sector Accounting Standards…., it is opportune for the IPSASB to concentrate significant resources on bringing this important project forward. …In our opinion, a further essential step involves the alignment of ideas, where appropriate, between the IPSASB and the IASB, since deviations that are not founded on public sector specifics would only serve to "irritate" those users who deal with both sectors... In view of this, we are concerned that the IPSASB's timetable may be overly optimistic, as it would essentially mean that the IPSASB would complete the project independently – and thus likely ahead – of the IASB's conceptual framework project. Whilst we accept that, in view of the fact that there are significant differences between the public and private sector which need to be addressed, the IPSASB is not intending this to be a further conversion project as such, we nevertheless believe that at a conceptual level there are likely to be significant areas of common ground between the two sectors	the IASB Framework is monitor closely and considered. See also comments on each SMC, particularly users.
012		As members of FEE (Federation of European Accountants), we have been involved in the preparation of the Comment Letter of this organization to the above referred Exposure Paper, and, in general terms, we agree with its comments (see Response 29). Nonetheless, we would like to emphasize the following matters which we consider of particular importance in our jurisdiction: …	Noted – See comments on SMCs, particularly budget disclosures and users
013		As the Conceptual Framework is intended to be a high level document, we believe it would be helpful if the IPSASB could develop a one page summary covering the key principles contained within the more detailed Framework. We believe that this would make the Conceptual Framework more accessible to accounts' preparers. Looking ahead to the development of new International Public Sector Accounting Standards (IPSASs) and the revision of existing IPSASs, following the finalisation of the Conceptual Framework, we would welcome the inclusion within the commentary accompanying IPSASs, details of how the Conceptual Framework had influenced their development.	Noted - consider re Framework promotion and communication and development of IPSAS ED's once Framework in place. See also comments on each SMC.
014		The SRS-CSPCP takes good note of the fact that Comments to the Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* of March 2009 have for the most part found their way into the Exposure Draft. The text of the effective Conceptual Framework should be somewhat lightened. Therefore all *Bases for Conclusions* should be listed at the end and not after every chapter. In this way repetitions can be reduced and the Framework would be more concise and easier to read.	See comments on each SMC, particularly scope and its consequences and clarification of some terms
015		*Staff comment: The response comprises three separate comment letters 15a, 15b, 15c. As follows*: 15a. *"Cultural Differences: Islamic vs. Western Culture"…* we believe it (*the Framework*) should not be intended for application in Islamic countries, and it is only appropriate for use in Western countries. 15b. *"The use of Financial and non-financial information in the IPSASB exposure draft":* The IPSASB conceptual framework has included many sensible recommendations for the disclosure of	See comments on SMCs where these issues are further developed.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		information in public sector reporting. However some financial disclosures are in need of improvement. ... [*Staff comment- focus is on non-financial information]*. 15c. *"Public Sector Sustainability Reporting":* We contend that IPSASB should incorporate sustainability reporting in the conceptual framework for general purpose financial reporting by public sector entities. This would enhance the transparency and accountability of public sectors as viewed by the public.	
016		We consider that it would be unfortunate if the Conceptual Framework for public sector entities were to diverge markedly from that used in the private sector. … Whilst we agree with many of the proposals in the ED, there are some we have concerns, namely: Some aspects of the Scope; The current description of 'faithful representation'; and Materiality is entity–specific and should not be considered a constraint on information.	See comments on each SMC, particularly explanation of scope, QCs and reporting entity.
017		I welcome the opportunity to comment on the exposure draft. I have indicated below several general comments.	See comments on SMCs, particularly going concern and "public interest".
018		We are pleased to see the IPSASB move forward in developing the conceptual framework. Our broader concern is that this is not in fact a Conceptual Framework. There is no overarching model that can be used as framework. Instead what we have is a series of quite useful general rules that do provide a framework for specific IPSAS. We look forward to integration of the Consultative Papers into this Exposure Draft as an overarching model is developed.	Noted –components will be compiled in Framework. See also comments on each SMC
019		We welcome the publication of this exposure draft (ED) for comments. The ED should help promote debate on an appropriate conceptual framework for public sector financial reporting, a topic that is receiving increasing attention in the context of the current financial crisis.	Focuses on substantial concerns with the proposals on reporting entity.
020		The Japanese Institute of Certified Public Accountants ("we", "our", and "JICPA") is pleased to provide you with our comments on the above-captioned matter. Based on our review, we have the following comments.	See comments on each SMC& advocates promotion of accrual basis.
021		The Committee generally agrees with the conceptual framework as a whole because most of the concepts are consistent with the actual framework they use in Canada, though they have some concerns about certain aspects of it.	However, this is a group response and some members have substantial concerns with scope and reporting entity. See comments on SMCs

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
022		I am writing to support the proposals contained in the exposure draft.	See comments on SMCs
023			See comments on SMCs- supportive of many aspects
024		I trust that the comments will be of use to the IPSASB in finalising the Conceptual framework.	See comments on SMCs – proposes some revisions.
025		The WAO welcomes the development by IPSASB of its conceptual framework. At present in the UK, public sector financial reporting is based on the IASB's IFRS. However these have been developed with a purely for profit private sector locus and consequently do not fully address the needs of public sector financial reporting. As a result IPSAS are increasingly informing the development of public sector financial reporting in the UK. We consider that the development of the conceptual framework will further facilitate the development of IPSAS that will better reflect the needs of the public sector. … However we have concerns regarding whether IPSASB will have the resources required to deliver such an ambitious programme which incorporates aspects of financial reporting that have not previously been subject to international codification. … We therefore welcome the statement in Paragraph BC1.8 that initial focus will be on financial statements and that the other aspects of financial reporting will be considered at a later date.	Implication, and caution, for IPSASB work program are noted. See also comments on each SMC.
026		The CNOCP supports the publication of the three consultation papers on the Conceptual Framework for public sector entities by the IPSAS Board. This consultation on a fundamental subject represents a significant step towards the development of an accounting framework for public sector entities. The CNOCP considers that the exposure draft is a particularly important phase in the development of a conceptual framework, since it addresses the issue of the users of the financial statements and their objectives, as these two elements are the pillars on which the Conceptual Framework is built. The CNOCP is pleased to note the positive developments in the exposure draft as compared to the consultation paper published in 2008, particularly in respect of the definition of the primary users of financial statements, namely service recipients and resource providers. The CNOCP does however note that citizens, represented by members of Parliament or by general meeting members in other entities are first and foremost primary users. This point is made in the exposure draft but deserves greater emphasis. As a preliminary remark, the CNOCP considers that the Conceptual Framework for public sector entities should apply exclusively to the financial statements, that is to say the income statement, the balance sheet and the notes, and not to the additional information which the IPSAS Board proposes to	Noted - The proposed scope of GPFR is identified as a matter of concern by others. See also comments on each SMC.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		include in the General Purpose Financial Report. Consequently, the scope of the CNOCP's comments and responses to the questions is limited to the financial statements alone.	
027		ACCA provided supportive comments on IPSASB's previous consultation paper in 2008, which formed the draft of this Exposure Draft. We welcome the work that IPSASB is undertaking to establish a conceptual framework which will make explicit the concepts, definitions and principles that will be applied in developing public sector accounting standards (IPSASs). We are also pleased to note that the IPSASB is closely monitoring the development of IASB's conceptual framework and any potential implications it may have for public sector reporting.	See comments on each SMC, particularly users.
028		I would like to offer a brief, but I believe important comment on IPSASB's Conceptual Framework.... The focus for my comments is on the proposals on scope, objectives and primary users. … I believe accepting that there is one (accountability) rather than two (accountability *and* decision usefulness) objective(s) has wide-ranging implications for the rest of the proposed CF….	Noted – see detailed comments under SMCs dealing with objectives of GPFRs.
029		We strongly support IPSASB's programme which helpfully combines IFRS converged IPSASs on matters which are common to both private and public sectors, public sector specific IPSASs on matters which are unique to the sector, and conceptual work which will inform the development of standards in future, seeking to achieve the optimum balance between maintaining comparability and addressing sector specific issues. FEE provided comments in IPSASB's 2008 Consultation Paper which formed the basis of this Exposure Draft. As noted in that response, FEE welcomes the work which the IPSASB is carrying out on developing a conceptual framework, particularly in the light of developments in IFRS which may make it more difficult to apply those standards, or indeed the IASB conceptual framework, directly to the circumstances of public sector entities.	Substantive comments made on each SMC. See extracts in following summary.
030		The Treasury considers this project of fundamental importance to the development of public sector financial reporting. We are very supportive overall of the approach that has been taken in this Exposure Draft. There are however two particular areas that require further thought and clarification in any final framework: • Clarification of the scope of general purpose financial reports; this is currently inadequately expressed for a conceptual framework that seeks to establish the concepts that underpin developments in general purpose financial reporting. • Clarification of the meaning of accountability purposes and decision making purposes; two fundamental but undefined concepts that are at the core of the conceptual framework.	Noted. See also comments at SMCs dealing with scope, objectives and reporting entity.
031		We are pleased that the development of the conceptual framework has reached the exposure draft stage and have provided the following comments from a Canadian perspective for what we believe is an	Expresses substantial concerns with scope and

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		integral step in the standard setting process. Generally, we are in agreement with the views and positions expressed in the exposure draft. The objectives, qualitative characteristics, and definition and criteria for a group reporting entity are for the most part consistent with Canadian public sector standards. We have the following concerns primarily with the scope and definition of a reporting entity in the proposed framework.	reporting entity – see comments a relevant SMC. Implications of the reporting entity proposals are also a major concern.
032		We generally agree with the guidelines presented in IPSASBs conceptual framework. Our main divergence from the framework is concerning the users and the coherence with objectives of the financial reporting. We stress the importance of identifying parliament, legislators or similar bodies, as a primary user of GPRF's and downsizing citizens to be secondary users. Our argument is that GPRS's are mainly used for decision making and citizens mostly have low or no use of GPRS's.	See comments on each SMC, particularly regarding the Danish experience & ED proposals
033		Thank you for your letter of May 4, 2009, and for the opportunity to comment on the IPSASB Conceptual Framework Exposure Draft 1. We appreciate the amount of work that has gone into this document and its predecessor Consultation Paper….The principle concerns are: (a)…. The province believes that the scope of the conceptual framework should be limited to general purpose financial statements. (b)… The province supports the exposure draft objective of providing information about the entity that is useful to the users of (GPFS) for accountability purposes but thinks that the ability of the financial statements to support decision making is limited. (c)… substance over form should be a separate qualitative characteristic. (d) …The province would not be able to support or adopt IPSASB unless it is clear that Canada's joint jurisdictional programs did not establish the authority and capacity to direct and that senior government financial statements would not result in the province being consolidated into the federal government or conversely any other currently distinct government being consolidated into the provincial financial statements.	More detailed comments on these and other issues are included at the relevant SMC. Notes substantial concerns with the proposals relating to scope and reporting entity.
034		CIPFA strongly supports IPSASB's programme which helpfully develops public sector specific IPSASs on matters which are unique to the sector, and IFRS converged IPSASs on matters which are relevant to both private and public sectors....we support the objective of achieving an optimum balance between maintaining comparability between sectors and addressing sector specific issues. CIPFA therefore welcomes the continuing development of IPSASB's important work in developing a conceptual framework for public sector financial reporting, which will be helpful both where IPSASs are developed for circumstances covered by IFRS, and when dealing with sector specific matters. The importance of this work is particularly clear given developments in IFRS which may make it more	Includes detailed comments on each SMC. See extracts in following summary.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		difficult to apply those standards or the IASB conceptual framework directly to the circumstances of public sector entities. ..... In the Board's previous consultation UK stakeholders expressed reservations about the widening of scope beyond matters which have traditionally been included in public sector financial reporting. CIPFA welcomes the current Exposure Draft's explanation of the way in which the Board approach the evolution of wider scope reporting". Even so, we would note that the Board has limited resources, and is committed to a substantial workload…we would urge caution in pursuing development of wider reporting beyond those topics, such as Long Term Fiscal Sustainability, which the Board has included in its work plan after specific consultation on the Board's agenda."	
035		...We support the IPSASB efforts in developing the Conceptual Framework, which establishes parameters for financial reporting under IPSAS and clarifies concepts not previously explicitly covered by the Standards.... IPSAS Board should not prescribe the scope of non-financial information to be reported by public sector entities, as it is the prerogative of the governing body.	See comments on each SMC, particularly re reporting by international and other individual public sector entities.
036		The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Exposure Drafts issued by the International Public Sector Accounting Standards Board (IPSASB). Our comments on the proposed role and authority of the Conceptual Framework and the scope of financial reporting are as follows:…	See comments on each SMC – generally supportive...
037		...The general position of Nova Scotia is that we are not comfortable with the scope IPSASB is building in the conceptual framework. We feel that the framework is too broad and has not fully considered how accounting standards relate to government/ public sector accountability. ... Nova Scotia views the conceptual framework as stepping into the role of sovereign entities and feel it goes too far. At a high level, we feel the conceptual framework should acknowledge governments' role in managing public money and their accountability to their citizens and residents to demonstrate if the public money has been used as budgeted. The framework should recognize where governments manage risks effectively the standards should allow for these strategies to be recognized and disclosed to reflect the substance of the transactions. We feel standard setters are veering away from this position and are attempting to prescribe too much and are starting, in some instances, to overly complicate the financial statements. We would prefer the professional bodies push their membership, including the audit community, to apply standards as they are intended rather than set the standards based largely on what is happening in the private sector when the facts and circumstances are fundamentally different. As professionals we must be held to high standards and emphasize the need for continued application of	See comments on SMCs. Also expresses substantial concerns with the proposals relating to scope and reporting entity.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		professional judgment and ethics.	
038		Thank you for the opportunity to comment on the Exposure draft.... The Government of Canada bases its accounting policies on the Accounting Standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Our Government is therefore not required to follow the International Public Sector Accounting Standards (IPSASs). However, given that PSAB is reviewing its conceptual framework and will use the work of IPSASB in its deliberations, we have a vested interest in the ED. As well, IPSAS are an important secondary source of Generally Accepted Accounting Principles (GAAP).	See comments on each SMC. Notes substantive concerns with scope and reporting entity.
039		We support the role that a Conceptual Framework plays in setting financial reporting standards and recognise the considerable work undertaken by IPSASB and its various stakeholders in producing this ED. We note that it is being prepared in a similar timeframe to the update of the framework for International Financial Reporting Standards... This leads to another general observation. We have used generally accepted accounting practice in UK government for many years, although it has been applied for central government departments only since 2000. Our rationale for adopting independently set standards is to instill financial discipline across our stewardship, accountability and performance reporting. We have based our financial reporting standards on those used by the private sector because of the need to demonstrate the public sector's use of its share of what is a single economy. For this reason, we believe financial reporting standards should be as sector neutral as possible and that would mean IPSASB maintaining its admirable link to IASB's standards, focusing on public sector specific interpretations and adaptations as well as distinct public sector issues.	Substantive comments made on each SMC. See extracts in following summary.
040		We are of the view that the scope of the conceptual framework should be limited to information of a financial nature contained in the financial statements. Accounting standards are authoritative in matters of accounting and presentation of financial information in financial statements. Accordingly, the scope of the conceptual framework should be confined to this realm. On the other hand, governments publish many reports other than financial statements containing information on their operations. It is up to governments to develop a presentation framework for these documents that fosters accountability and transparency based on the needs of users. Enclosed are more detailed comments on the specific topics for which you asked our opinion…	See comments on each SMC – also expresses substantial concerns with reporting entity proposals.
041		The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants is pleased to submit its comments on the IPSASB's Exposure Draft. These comments are set out in an Appendix to this letter.	See comments on each SMC. Expresses substantive concerns with scope, objectives and reporting entity.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
042		I have one principle comment to CF-ED1, which is much in line with my earlier comment, inadequate recognition is given to the institutional context in which governments operate.	See also SMC on objectives where comments are further developed
043		The Charity Commission for England and Wales is established by law as the regulator and registrar of charities in England and Wales....Although the focus of the IPSASB is on the development of standards for government and government related bodies in the public sector, the work of IPSASB can be a helpful source of reference when considering issues for other not-for- profit entities such as charities.	Focus of comments is on the reporting entity.
044		Previous submissions of the Joint Accounting Bodies to the IPSASB and the International Accounting Standards Board (IASB) have communicated our preference for an international reporting framework comprised of a single set of concepts designed for application to all sectors. While this remains our preferred approach, we acknowledge that this is not the way that standard setting internationally is structured today. Nevertheless, we encourage the IPSASB to continue to initiate dialogue with the Trustees of the IFRS Foundation about the imperative for action to expand the objective of the IASB to develop a single set of accounting standards appropriate for all sectors. The Joint Accounting Bodies will continue to make such representations nationally and internationally.	Substantive comments made on each SMC. See extracts in following summary.
045		We would like to express our support for the concepts set out in CF-ED1, although we do raise some issues for the consideration of the IPSASB below.	See comments on each SMC, particularly in respect of identification of objectives and consequences thereof.
046		The AASB supports the IPSASB's development of a conceptual framework for public sector entities as a high priority project. The AASB considers it important that the IPSASB and IASB Conceptual Frameworks are complementary, where differences (if any) exist only to the extent warranted by differences in circumstances. This would support the development of International Public Sector Accounting Standards and International Financial Reporting Standards that differ (if at all) only where necessary to deal with different economic phenomena or with economic phenomena that are much more pervasive in one sector than the other. This approach is also likely to assist users of general purpose financial reports who read financial reports across all sectors in the economy. …. The AASB acknowledges that this is a substantial project and that the IPSASB is working towards completion of a final Conceptual Framework in March 2013. However, given the interrelationship of the various phases, it encourages the IPSASB to leave open the possibility of issuing an ED of the full	See comments made on each SMC. Expresses concern about the explanation of scope, objectives and certain other matters.

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		Conceptual Framework once EDs have been issued, and comments thereon reviewed, in respect of all phases of the project. The AASB has some concerns regarding the proposals in the ED and recommendations for addressing them. The more significant concerns are set out below and elaborated on in Appendix A.	
047		We welcome the decision of the Board to issue a consultation on the elaboration of a conceptual framework for public sector entities.	See comments on each SMC. Note also substantial concerns about scope.
048		The Board is not in a position to comment on all aspects of those documents as its own conceptual framework project is in its preliminary stages. However, PSAB members feel that it is crucial that the nature of accountability as the primary driver for financial reporting in the public sector be further developed and emphasized in the IPSASB conceptual framework. *[Staff comment: See also comments in the body of this collation where this and other issues are further developed.]*	Noted – whether dual objectives are appropriate, and which should be dominant, has been raised by a number of respondents.
049		The present document is the response from the French Court of Auditors and all French jurisdictions to the exposure draft and consultation documents from the IPSAS Board relative to phases I, II and III of the conceptual framework.	See comments on each SMC – clarification of a number of matters proposed. Note also concerns re-scope and users.
050		We are pleased that the IPSASB is progressing its work on the conceptual framework project, as it is very important to the future of general purpose reporting in the public sector. However, we are concerned that the scope of the conceptual framework is inappropriately focused on financial statements. Although the exposure draft takes into account non-financial information, we think its level of importance should be elevated alongside that of financial information. In other words, we think that the IPSASB should put financial and non-financial information on the same footing. We provide further comment on this point in the attachment to this letter.	See comments on each SMC– particularly explanation of scope. Also concerns with reporting entity explanation.
051		The conceptual framework for general purpose financial reporting by public sector entities is very important for establishing the concepts that are to be applied in developing International Public Sector Accounting Standards (IPSASs) and other documents...	See comments on SMCs.
052		Overall, we are supportive of the project as we believe it makes significant strides in strengthening transparency and accountability in public sector financial reporting. As acknowledged in the various documents issued for comment, it may be necessary for the IPSASB to issue a complete Framework for comment once the various phases are complete. Based on the final	Noted. The Board will consider whether to issue an umbrella ED as other phases are developed. The

R#		GENERAL COMMENTS & OVERALL VIEW	STAFF COMMENT
		outcome of the Framework, the views expressed in this letter may be subject to change. Just as financial statements on their own may not provide sufficient information for accountability and decision-making under the accrual basis of accounting, the statement of receipts and revenues along with disclosures may not provide sufficient information under the cash basis of accounting. We therefore recommend that the IPSASB consider developing a separate Framework for the cash basis of accounting as this would be useful to supplement existing information either required or disclosed under the Cash Basis IPSAS.	Board will consider concepts for the cash basis following completion of the accrual Framework. See also comments on each SMC.
053		The guidance seeks to elicit comments on the role, authority and objectives of reporting..... Generally, I concur except that reliability can be a more important goal in certain scientific applications.	See comments on SMCs dealing with faithful representation & reliability
054		The Manitoba Government supports your initiative to develop a conceptual framework which can be applied in developing future International Public Sector Accounting Standards (IPSAS) for General Purpose Financial Statements (GPFS). We are also pleased to see many of the key areas you are proposing are consistent with the conceptual framework of the Public Sector Accounting Board (PSAB) of Canada.	However, expresses substantial concern about scope and explanation of group reporting entity. See comments on each SMC.

SMC 1: Role, Authority and Scope of the Conceptual Framework

(a) Role

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**31**	**86%**
(B) SUPPORT WITH RESERVATIONS	**2**	**6%**
(C) DO NOT SUPPORT	**3**	**8%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***36***	***100%***
(D) DID NOT COMMENT	**18**	
TOTAL RESPONSES	**54**	

R#	CATE-GORY	SMC 1(a) COMMENTS ON ROLE	STAFF COMMENT
001	A	We agree with the role, authority and scope of the Framework.	
002	A	ACAG generally supports the role, authority and scope proposed.	
003	A	HoTARAC broadly **supports** the role of the Framework.	
004	C	...The Province of Ontario does not agree with IPSASB's proposed role, authority and scope of the Conceptual Framework (CF). The proposed role and scope is beyond IPSASB's approved mandate. A rationale to support the broader scope is not substantiated or validated.	See comments included under scope section of this collation where respondent's view is further developed.
005	A	*No specific comment on objectives but notes support for ED and SMCs*	
006	C	NSW Treasury does not support the proposed role of the IPSASB Conceptual Framework. We are concerned that the IPSASB Framework project is not simply interpreting the IASs Framework to the public sector, but rather developing a separate public sector conceptual framework to guide the development of future IPSASs. This approach is inconsistent with the transaction neutrality principle. It is different to the approach in many of the existing IPSASs, which are based on IFRS and draw on the IASB's definitions etc underlying the IASB Framework. Consequently, the proposed approach could lead to divergence from, rather than convergence with, IFRS.	Noted – the Framework is not a convergence project. However, the Board and staff closely monitor and consider the IASB Framework and developments thereon.
007	D	*No comments specifically on role – see comments on scope*	
008	A	We agree with the general role, authority and scope of the Conceptual Framework. The	

R#	CATE-GORY	SMC 1(a) COMMENTS ON ROLE	STAFF COMMENT
		document acknowledges the broad differences in public entities and the operating environments in which they operate and the framework is effectively high-level. Many of the explicit statements in the exposure draft are appropriate and were also a fundamental implicit foundation for U.S. federal, state and local standard setting bodies.	
009	D	*No comments specifically on role – see comments on authority/scope*	
010	A	The exposure draft defines the broad principal on the basis of which specific standards will be developed their general authority and its wide scope caters for all the future requirements.	Note- staff will follow-up with this respondent to confirm this classification reflects their view.
011	A	We broadly agree with the role, authority and scope of the framework.	
012	A	As members of FEE (Federation of European Accountants), we have been involved in the preparation of the Comment Letter of this organization to the above referred Exposure Paper, and, in general terms, we agree with its comments (see Response 29).	
013	A	The role of the Conceptual Framework ...is appropriately described, including its role in relation to non-authoritative guidance.	
014	D	*No comments specifically on role but see comments on authority.*	
015	D	We believe the scope of the conceptual framework is too wide, in terms of the scope of the countries it will apply to. In particular, we believe it should not be intended for application in Islamic countries, and it is only appropriate for use in Western countries. In particular we have identified two key concepts in the exposure draft that we consider being inappropriate to apply in the same manner to countries dominated by Islamic beliefs, as opposed to countries with a Western culture. These two concepts are information usefulness and information relevance.	The Board has not previously received comments to this effect in responses to EDs, or from Board members from Islamic countries. Staff will seek further input re IFAC member bodies from Islamic countries, and other sources.
016	A	We agree that the role of the Conceptual Framework (CF) is to establish the concepts that underpin general purpose financial reports (GPFRs) by public sector entities applying accrual accounting.	
017	D	*No comments specifically on role*	
018	A	We agree with the Role, Authority, and Scope of the Conceptual Framework expressed in	

R#	CATE-GORY	SMC 1(a) COMMENTS ON ROLE	STAFF COMMENT
		Section 1 of the ED.	
019	D	*No comments specifically on role*	
020	A	We agree with the view of the IPSASB..... However, we believe that the basis for the requirement to apply the accrual basis of accounting, and the reasons for the exception relating to GBEs should be stated.	See "Other Comments" after scope where these matters are further developed.
021	D	*No comments specifically on role, but see comments on scope*	
022	A	*No comments specifically on role, but expresses general support for ED proposals*	
023	A	NAO agrees that the role of the Conceptual Framework ...., is to regulate the financial reporting by public sector entities that adopt the accrual basis of accounting, except for financial reporting by government business enterprises. NAO is of the opinion that an additional section be introduced in the conceptual framework to provide guidance to public sector entities who prepare financial statements on the cash basis of accounting and to government business enterprises (GBEs) in instances where these are consolidated with central government Financial Reporting.	Concepts applicable to the cash basis are to be considered after completion of accrual Framework and a separate project on GBEs is to be actioned. BC 4.11 notes GBE's may be part of group – further guidance better placed in IPSASs.
024	D	*No comments specifically on role, but see comments on scope*	
025	A	We agree with the role and authority of the Conceptual Framework as set out in the Exposure Draft; and the scope of financial reporting as set out in the Exposure Draft.	
026	A	The CNOCP considers that the role of the Conceptual Framework is to establish the fundamental financial reporting concepts for public sector entities that adopt accrual accounting, and therefore agrees with the terms of the exposure draft.	
027	D	*No comments specifically on role but see comments on scope.*	
028	D	*No comments specifically on role.*	
029	A	In line with our overall comments and our comments on Preliminary View 1 and Preliminary View 5 of the 2008 Consultation Paper, FEE agrees with the role and authority of the Conceptual Framework as set out in the Exposure Draft.	
030	A	*No comments specifically on role, but expresses broad support for IPSASB approach except for explanation of scope and clarification of meaning of accountability.*	

R#	CATE-GORY	SMC 1(a) COMMENTS ON ROLE	STAFF COMMENT
031	D	*No comments specifically on role, but expresses broad support, except for scope and reporting entity.*	
032	A	We agree with the proposed view of role and authority of the Conceptual Framework.	
033	A	*See comments on authority which also relate to role.*	
034	A	CIPFA agrees with the role and authority of the Conceptual Framework set out in the Exposure Draft.	
035	A	Agree.	
036	A	We agree with the proposed role, authority and scope of the Conceptual Framework.	
037	C	Nova Scotia does not agree with the role, authority and scope of the Conceptual Framework.	See scope where these concerns are outlined
038	D	*No comments specifically on role, but expresses concern about scope.*	
039	A	Section 1 of the Exposure Draft aims to establish the role, authority, scope and applicability of the Conceptual Framework. We agree with the content of this section...	
040	A	We agree with this proposal, *(section 1 of the ED)* except regarding the scope of the conceptual framework itself, which we will deal with later.	
041	D	*No comments specifically on role.*	
042	A	*No comments specifically on role.*	
043	D	*No comments specifically on role.*	
044	D	*No comments specifically on role, but comments on authority encompass role.*	
045	A	*Notes agreement with role, authority and scope "with two provisos"*	See comments on authority and scope where these matters outlined
046	A	The AASB generally supports the proposed role and authority of the Conceptual Framework.	
047	A	The DGFiP supports the decision of the IPSAS Board to issue a consultation on the Conceptual Framework that will make understanding and interpreting international accounting standards easier for public sector entities...	
048	D		

R#	CATE-GORY	SMC 1(a) COMMENTS ON ROLE	STAFF COMMENT
049	D	*No comments specifically on role.*	
050	B	In two important respects, we do not agree with the role and scope of the conceptual framework. The main issue we have with the role of the conceptual framework is the exclusion of all government business enterprises (GBEs). *[Staff comment See also comments under GBE's later in this collation.]*	
051	B	*Notes role, authority and scope are adequate, but should respond to circumstances of different countries and integrate with audit in implementation.*	Noted- particularly re IPSAS development and application.
052	A	We agree with the role and authority of the Conceptual Framework.	
053	D	*No comments specifically on role.*	
054	A	*See also response to "authority" of the Framework*	

SMC 1: Role, Authority and Scope of the Conceptual Framework

(b) Authority

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**22**	**63%**
(B) SUPPORT WITH RESERVATIONS	**9**	**26%**
(C) DO NOT SUPPORT	**4**	**11%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***35***	***100%***
(D) DID NOT COMMENT	**19**	
TOTAL RESPONDENTS	**54**	

R#	CATE-GORY	SMC 1(b) COMMENTS ON AUTHORITY	STAFF COMMENT
001	A	We agree with the role, authority and scope of the Framework.	
002	A	ACAG generally supports the role, authority and scope proposed.	
003	B	The Framework needs to be an authoritative pronouncement to jurisdictions that have adopted International Public Sector Accounting Standards (IPSASs), not just guidance. HoTARAC acknowledges that the authority should not be the same as IPSASs. Preparers should rely on the Framework to determine an accounting treatment, when no specific standard on the matter exists. Alternatively, a hierarchy could be developed similar to that contained in the Australian accounting framework. This approach will ensure comparability, consistency, and provide a principles-based approach in resolving accounting issues. *[Staff note: comment letter includes an extract form the relevant Australian Standard* (AASB 108)] *The comment letter also notes:*...Alternatively, IPSASB may wish to include a statement to the effect that the IPSASB Framework is an integral part of applying IPSASs. ...HoTARAC is of the view that paragraph BC3.2 should be included in the Framework rather than ...the Basis of Conclusions. *[Staff Note: BC3.2 explains that in the absence of an IPSAS preparers will determine what is included in GPFRs consistent with the QCs and objectives.]* In contrast, a minority of HoTARAC members believes that the Framework should not be authoritative. ... HoTARAC recommends that IPSASB clarifies, a process for resolving any existing or future conflicts between IPSASs and the Framework, particularly where the inconsistencies are a result of "adopting" IASB standards.	Staff agrees there is a case for repositioning BC3.2, and note the Board intends to revisit the hierarchy in IPSAS 3 when the Framework is completed. Staff agree that it would be useful for the IPSASB to clarify the process for resolving conflicts between IPSASs and the Framework once the Framework has been finalized, but do not see such clarification being part of the Framework itself.

R#	CATE-GORY	SMC 1(b) COMMENTS ON AUTHORITY	STAFF COMMENT
004	B	The conceptual framework is the foundation for the development of public sector accounting standards. These standards should reflect the conceptual framework unless, based on significant analysis and due process, an exception is deemed to be in the best interest of the needs of the primary users. If a secondary source of GAAP is consulted, Ontario believes that it is more important to reflect the public sector concepts than complying with an alternative standard. As a result, we support the conceptual framework being recognized as an authoritative source in the preparation of financial statements; however, specific IPSASs should remain as the primary source for standards. This positioning would ensure that areas not addressed by specific IPSASs would require alignment with the conceptual framework before it is can be used. *it is"* ...inappropriate to assume that private sector standards can be directly adopted for the public sector given the very different user needs and environments."	Staff agrees the IPSASs should reflect the Framework and the Framework should be a source of guidance as advocated by this respondent. However, Staff is not convinced that the Framework should be identified as source of authoritative requirements in all cases in absence of an IPSAS: the Framework will establish broad principles, the application of which may be open to different interpretations and will need to be supported by detailed guidance.
005	A	*[Staff comment: Overall response notes support for ED and SMCs]*	
006	A	NSW Treasury agrees that the proposed IPSASB Conceptual Framework does not establish authoritative requirements and does not override the requirements of IPSASs.	
007	C	...it is not seen as appropriate that the conceptual framework of an accounting standards board should be the authoritative guidance in reporting outside of the financial statements.	Noted – the broad scope is a matter of concern to many respondents. See comments under scope.
008	A	We agree with the general role, authority and scope of the Conceptual Framework.	
009	B	For the future IPSASs there must be a hierarchy in the CF related to the standards to be projected, as they are the essence and methodological process via which the fundamental concepts are established in one and broken down in the others.	
010	D	*No view specifically on authority – see comment on role*	
011	B	We broadly agree with the role, authority and scope of the framework. We appreciate the fact that the suggestion we made in our letter dated 31 March 2009 concerning the impact of the conceptual framework on existing IPSAS is reflected in BC 1.2. However, we suggest this issue be included in paragraph 1.2 of the framework itself, ...[and] a sentence be added following the first sentence of paragraph 1.2 to read: "If an IPSAS currently in effect conflicts with the Conceptual Framework, the IPSASB should review that IPSAS and, applying the due process for standard setting, revise it."	Staff view is that explanation of Board's thinking in establishing the authority of the Framework and its intention re application of the Framework are better located in the BC. However, the sentiments of the final two

R#	CATE-GORY	SMC 1(b) COMMENTS ON AUTHORITY	STAFF COMMENT
			sentences of para BC1.2 could equally fit in the Framework itself.
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	B	The statement in paragraph 1.2 on the authority of the framework needs strengthening. While we agree that the Conceptual Framework should not override IPSASs which have been issued following due process, ultimately the Conceptual Framework should be at the top of the hierarchy of concepts upon which other principles are based: this is fundamental to the development of principles-based financial reporting standards. Therefore, we would welcome the inclusion of a statement similar to that included within the section on 'Purpose and status' within the IASB's 'Conceptual Framework for Financial Reporting' (2010) which clarifies... *[Staff comment: includes relevant extract from IASB which explains if there is a conflict between the Conceptual Framework and an IFRS,* "the requirements of the IFRS will prevail over those of the Conceptual Framework" but "As, however, the Board will be guided by the Conceptual Framework in the development of future IFRSs and in its review of existing IFRSs, the number of cases of conflict between the Conceptual Framework and IFRS will diminish through time."	Staff is of the view that this reflects the Board's view as explained in BC 1.2, and if the IASB wording is a clearer exposition of that position should be considered for adoption. Similarly, its repositioning could also be considered.
014	C	It must be absolutely clear from the Conceptual Framework that compulsory Standards are issued only for GPFSs. The other GPFRs (*additional information*) should be governed exclusively in the Conceptual Framework and in Recommendations (*guidelines*). If the compulsory Standards go too far, there is a risk that units in the Public Sector will refrain from implementing the IPSASs, because the cost is considered too great in relation to the benefit. And that cannot be in the interest of the IPSAS Board. Refer to Para.1.2 "However, it ~~can~~ provides guidance in dealing with …". The Framework's status is clearer, if "can" is omitted.	The broad scope is matter of concern to many. Whatever, the Board's final position re the scope, Staff is of the view that decisions regarding the authority of guidance should be made at the project development level and be subject to due process. Consider edit in drafting review.
015	D	*No view specifically on authority – see comment on role*	
016	A	*Agrees...* CF should not establish authoritative requirements for... public sector GPFRs, but rather be used as guidance for issues not dealt with specifically by IPSASs.	
017	D	*No view specifically on authority*	
018	A	We agree with the Role, Authority, and Scope of the Conceptual Framework...in the ED.	

R#	CATE-GORY	SMC 1(b) COMMENTS ON AUTHORITY	STAFF COMMENT
019	D	*No view specifically on authority*	
020	A	*Agrees authority – see comments on "role" above*	
021	D	*No view specifically on authority but see comment on scope*	
022	D	*No comments specifically on role, but expresses general support for ED proposals*	
023	B	NAO is of the opinion that the requirements of the Conceptual Framework are authoritative, however, they are of lesser authority than IPSASs and do not override the latter's requirements. Moreover, although the Conceptual Framework is not an IPSAS, it forms the basis upon which the IPSASB develops future IPSAS and reviews existing IPSASs and assists preparers of public sector financial statements in applying IPSASs. This fact is to be stated in the framework itself rather than in the basis for conclusions.	Noted. Consider relationship between para 1.1 and BC1.1 as prepare first draft of final document.
024	D	*No comments specifically on role, but see comments on scope*	
025	A	We agree with the role and authority of the Conceptual Framework	
026	A	*No comments specifically on authority, but comments on role encompass authority*	
027	D	*No comments specifically on authority, but see comments on scope*	
028	D	*No comments specifically on authority*	
029	A	...FEE agrees with the role and authority of the Conceptual Framework	
030	D	*No comments specifically on authority but notes broad support for IPSASB approach*	
031	D	*No comments specifically on authority but expresses agreement with ED- except scope and reporting entity*	
032	A	We agree with the proposed view of role and authority of the Conceptual Framework.	
033	B	...It is logical and we support the view that the more detailed review of a specific topic undertaken in an individual IPSAS should be the authoritative position on that topic but conversely no individual IPSAS should be permitted to be inconsistent with or ultra-vires the conceptual framework. [*Staff comment: Notes exposure drafts should conform to framework and should seek comment on whether it conforms.]*	Staff agrees as a matter of principal but note the Board may wish to reserve the right to depart from F/W in some rare cases - whether as an interim or development step or because of practical reasons.
034	A	CIPFA agrees with the role and authority of the Conceptual Framework ...	

R#	CATE-GORY	SMC 1(b) COMMENTS ON AUTHORITY	STAFF COMMENT
035	A	Agree.	
036	A	We agree with the proposed role, authority and scope of the Conceptual Framework.	
037	C	*Does not agree - see comments on scope*	
038	D	*No comments specifically on authority*	
039	A	In particular, we agree that the Framework should not establish authoritative requirements for the preparation of public sector GPFRs, but rather be the framework for setting general purpose financial reporting standards and guidance, and as guidance for issues not dealt with specifically by IPSASs.	
040	C	We disagree with this proposal. Use of the conceptual framework as a basis for financial reporting issues not dealt with in IPSAS should be made compulsory rather than optional. In addition, existing IPSAS should be consistent with the conceptual framework and therefore adjusted as needed. Accordingly, compliance with the framework will only be enhanced and consistency of solutions regarding issues of financial information in the financial statements will be ensured. The conceptual framework will guide the development of future IPSAS standards. Therefore, in exceptional cases where new standards do not comply with the conceptual framework, this fact should be highlighted and the reasons why soundly justified. ...	Noted – Staff is of the view that the Framework should have the capacity to provide useful guidance in the absence of an IPSAS but not have authoritative status in those circumstances. Staff agree.
041	D	*No view specifically on authority*	
042	D	*No view specifically on authority*	
043	D	*No view specifically on authority*	
044	A	...support the authority of the IPSASB Framework as articulated by... paragraph 1.2 ...	
045	B	Refer to last sentence of Para. 1.2.We do not feel that this statement is accurate. The IPSASs have authoritative status. They will be developed within the boundaries of the new conceptual framework. ... IPSASs will bring to life the concepts and indicate how they apply to particular financial statement items. It would be the IPSASB's prerogative to make an exception at the standards level that conflicts with the conceptual framework. The IPSASs are GAAP. The concepts in the framework should likely not be part of GAAP but should be used as the basis for developing conceptually sound, theoretically consistent GAAP. *Notes Para. 1.3, first sentence and paragraph BC 3.2* has implications for the IPSASB GAAP hierarchy. ... We suggest that a revised hierarchy that references the new conceptual framework be a separate but companion document to the	Noted-Will review drafting. However, Board may wish to reserve right to identify directly in an IPSAS circumstances in which the definitions and other concepts have authority – whether in a hierarchy or where an IPSAS notes that if a matter is reported, it should conform to certain concepts - whether for example, definitions

R#	CATE-GORY	SMC 1(b) COMMENTS ON AUTHORITY	STAFF COMMENT
		framework when it is issued by the IPSASB.	or QCs.
046	A	...recommends that, as a matter of priority, the IPSASB addresses in IPSAS 3 ...the status of its Conceptual Framework in the hierarchy of authoritative guidance for issues not specifically addressed by IPSASs. The AASB considers the status of the IPSASB Conceptual Framework should be equivalent to that of the IASB Conceptual Framework in IFRSs, including in particular IAS 8...	Staff is of view IPSAS 3 hierarchy should be updated when Framework is in place.
047	A	... The DGFiP agrees with this approach. ...Framework should not replace the International Public Sector Accounting Standards, although sometimes it shall clarify their meaning.	
048	D	*No comments specifically on authority.*	
049	B	In principle, the French Court of Auditors has no objection but would like to recall its stance on the previous project (see letter of 31 March, 2009). Taking as an example the conceptual framework of accounting standards for the French State (if, exceptionally, the application of a rule proves improper and does not give a true image, exemption shall be made to the rule and the said exemption must be mentioned and explained in the appendix along with its effect on accounts), the Court felt that general principles should be placed above standards and that this should be clearly stated in the conceptual framework. The Court stands by this position. ... It should be specified that in France, the basic social security systems (in the sense of community legislation) come under the public sector: even if run by entities with a different status, they are governed by the annual vote for the law financing social security. No conclusions should be drawn from this paragraph concerning the drawing up of consolidated accounts (see further on).	Noted - as noted above staff is of view that IPSASB may wish to reserve right to depart/interpret concept in some rare (and perhaps temporary) circumstances.
050	A	*No comments specifically on authority, but identifies concerns about role and scope.*	
051	D	*No comments specifically on authority*	
052	D	We agree with the role and authority of the Conceptual Framework.	
053	D	*No comments specifically on authority*	
054	A	We agree with IPSASB's view.... We recommend that in the event there is no standard, that an entity should adopt standards that are consistent with this conceptual framework. After the Conceptual Framework is issued IPSASB should review any circumstances where an apparent conflict exists between an IPSAS and the Conceptual Framework. When necessary the existing IPSAS should be amended through IPSASB's due process.	Staff is of the view that this is a helpful expression of the role of the Framework where an IPSAS is not in place.

SMC 1: Role, Authority and Scope of the Conceptual Framework

(c) Scope

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**20**	**45%**
(B) SUPPORT WITH RESERVATIONS	**12**	**27%**
(C) DO NOT SUPPORT	**12**	**27%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***44***	***100%***
(D) DID NOT COMMENT	**10**	
TOTAL	**54**	

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
001	A	We agree that the scope of the Framework should cover GPFR, which include much more comprehensive information than financial statements (and associated disclosure notes to those statements). We note, however, the practical requirements, for example around consistency of reporting and verifiability, that will need consideration as the Framework's intention to address non-financial qualitative and prospective information is included in GPFR. When IPSASB addresses these reporting requirements, we would expect such matters to be detailed in future guidance or standards that would introduce the reporting of service delivery and prospective information.	
002	A	ACAG generally supports the role, authority and scope proposed.	
003	B	*Notes* ...IPSASB's Consultation Papers for Phases 2 and 3 of this project appear to more directly relate to general purpose financial statements. Since some concepts (like measurement) could be applied beyond the boundaries of general purpose financial statements, HoTARAC recommends that the IPSASB clarify the application of all phases (particularly Phase 1) of its Conceptual Framework. HoTARAC broadly agrees with the scope of the Framework, subject to the comments below. HoTARAC reiterates its previous comment that an evolving scope that responds to users' information needs is desirable "as long as the scope is based on an open and transparent consultation process". *Expresses* ...concerns with the lack of clarity around which information will be audited, as well as the appropriate level of assurance for information that will not be audited. Acknowledging in the Conceptual Framework that there should be a distinction between audited and unaudited information is critical.	Noted Re Audit implications. See also comments of others following group reporting entity (SMC 4). Staff will follow-up with IAASB staff re audit implications. Staff agrees that as Framework is finalised and all components brought together, explanations of the focus of Phases 2 and 3, and of the disclosure logistics/options could usefully

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		HoTARAC is of the view that users need to be able to clearly distinguish between unaudited material with a lower level of assurance (e.g. narrative reports, budgets and forecasts) and audited information in order to assess how much reliance to place on this information for accountability and decision-making purposes. *Notes despite explanation in par 1.6*...there is still confusion in the HoTARAC jurisdictions as to whether all information contained in GPFRs is required to be presented in an entity's annual report. HoTARAC suggests that IPSASB explicitly state in the Framework that information in GPFRs may be disclosed outside the annual report, given the general preconception that GPFRs cover only financial statements. A minority of HoTARAC members does not agree with including prospective information, in particular budget estimates, in GPFRs.	be clarified.
004	C	The key reasons we disagree with the role authority and scope of the conceptual framework are: • the proposed scope is clearly broader than the IPSASB's existing Terms of Reference...[*Respondent notes that the IPSASB's terms of reference state clearly on page 4 that the role of IPSASB is to "...develop high-quality accounting standards for the use by public sector entities around the world in the preparation of general purpose financial statements*". • The broad scope adds risk to the development of a conceptual framework that is clear and understandable to guide standards for General Purpose Financial Statements. • There is limited information available related to the specific need of primary users for financial and non-financial information beyond what is in historical financial statements and should be excluded from scope until further work is done. • Since there is still significant work to develop a complete set of standards for historical financial statements, this should, in Ontario's opinion, be IPSASB's primary focus.	Staff agrees that, subject to the Board's deliberation, the existing terms of reference may need changing to reflect final position on this matter. The scope is a matter of major concern for many respondents. While the Board can clarify the consequences of establishing a broader scope which may respond in part to some of the concerns of this and other respondents, such clarification and explanation will not overcome the fundamental opposition to the adoption of a broad scope.
005	A	*[Staff comment: Overall response notes support for all SMCs]*	
006	C	*Is of the view that the Framework should apply to GBE's – see comments under "Other Issues" following scope.* ...does not support including prospective information and information regarding the achievement of service delivery objectives in financial statements and notes.	Noted – see comments above. Staff agrees that GPFRs should not be seen as providing all the information needed for

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		However, if the IPSASB believes that this type of information should be included in the scope of financial reporting, we believe that the distinction between financial (audited) and non-financial (unaudited) information must be explicitly acknowledged. At present, prospective management information and information about service delivery objectives generally do not form part of the audited financial statements. *Raises concerns about the ability to faithfully represent, and verify such information and* "the practicability and cost versus benefit of capturing, collating and reporting prospective information and information regarding the achievement of service delivery objectives... ...considers that the IPSASB Framework should state the criteria it plans to use in assessing how the scope of financial reporting should evolve in response to users' information needs. ... while the concept of what is included in a GPFR will evolve (e.g. the current trend of reporting on sustainability), it is not realistic or desirable for it to ever envisage such reports as providing all information that is useful for accountability and decision making purposes (refer IASB Framework September 2010, paragraph OB6) Therefore, it is preferable to limit any non-financial and prospective information that may form part of a GPFR to information best communicated in financial statements.	accountability and decision making. The Board did consider/explore criteria to be used in determining how scope should evolve, but determined that the Framework should reflect the principle that it would respond to users needs and the objectives of financial reporting as outlined in para 1.5.
007	C	... IPSASB's proposal to extend the scope beyond the financial statements, to report on information that includes non-financial information is not supported. Extending the scope is beyond the "Terms of Reference" of the IPSASB (authority to issue standards to be applied by members of the profession in the preparation of general purpose financial statements of public sector entities). Further, such an extension to the scope extends guidance in areas that are outside the profession's expertise in certain circumstances (non-financial performance and service delivery outcomes). It is our position that guidance in such areas should be left at the discretion of the individual reporting jurisdictions which may have their own legislative and/or regulatory reporting requirements on matters such as non-financial performance.	Noted- see comments above. Staff also notes the Board had intended the broad scope as an enabling mechanism. As noted at para BC 1.7, acknowledging a broad scope does not mean that the IPSASB will develop authoritative guidance on these matters – though it does not exclude that possibility.
008	A	We agree with the general role, authority and scope of the Conceptual Framework....we support the recognition of the other elements of the GPFR beyond the financial statements. *Notes role of Phase 4 on re presentation but comments*, "we believe Phase 1 of the framework project provides a better opportunity to emphasize that the GPFRs should provide users with information on historical financial performance as well as current financial performance and condition. Financial statements by themselves (even comparative financial statements) provide	Noted. Staff is of view this should be monitored as Phase 4 develops, considered in light of responses to Phase 4, and overall all view of structure of Framework and linkages

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		a limited snapshot of the public sector entity, which is insufficient to effectively evaluate its performance and meet the needs of the users. *comments:* We recommend that IPSASB should note in Phase 1 that public sector entity financial reports are generally more useful when historical financial performance information (along with historical operating performance information and prospective operating plans) accompanies the financial statements.	between components.
009	D	*No comment/view specifically on broad scope. However advocates* that " Decentralized and Deconcentrated entities should be specifically acknowledged in para 1.8." *Respondent provides definitions thereof.*	Noted - Staff would prefer to maintain broad description of entities as in para 1.8.
010	D	*No comments/view specifically on scope but notes the ED*: "defines the broad principal on the basis of which specific standards will be developed their general authority and its wide scope caters for all the future requirements."	
011	A	*No comment/view specifically on scope but notes* We broadly agree with the role, authority and scope of the framework.	
012	A	*Notes agreement with the response from FEE - see Response 29*.	
013	A	We broadly agree with the material in paragraph 1.5 to 1.7 on the scope of financial reporting. However, we believe that further refinement is required of the material within chapter 2 (paragraphs 2.14 to 2.26) to distinguish between information which should be contained within GPFSs and information contained in the management commentary, or equivalent, which accompanies those statements.	See SMC 2 re circumstances where compliance with budget falls within GPFS rather than management commentary.
014	B	*See comments under authority, which advocates that compulsory standards must apply only to financial statements with broader scope issues, the subject of guidelines.*	
015	B	*Advocates additional references to non-financial information (comment letter 15(b)) and sustainability reporting (comment letter 15(c)).*	See comments at SMC 2 where these matters developed further.
016	B	Whilst we agree that the scope of the CF could include all financial reporting, in our view this may in reality prove to be difficult. We are concerned that while the scope of financial reporting establishes the boundary around what should be reported in the GPFRs, the proposals do not actually articulate what this boundary should be. Therefore, the scope appears to be open-ended and consequently too wide. Paragraph BC1.5 of the Basis for Conclusions, for example, clarifies what may be included in GPFRs and therefore could be elevated to be included in the main text as this may assist in understanding the intended scope. *Also advocates including 'Figure 1: Information*	Staff agrees that the scope is open ended, as noted above. The Board's intention was to enable the scope to respond to users' information needs consistent with the objectives. Staff agrees there is a case for

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		needs of users' in paragraph 1.14 of the 2008 Consultation Paper. *Notes phases 2 and 3 of the CF focus on* "financial statements rather than financial reporting as a whole; it would also be important to establish clear boundaries for financial statements." We agree that it is important that the scope includes both past and forward-looking information but these should be based on the same qualitative characteristics. We are also concerned that the ED states that the scope will be determined by the objectives of financial reporting and the needs of users. However, neither of these issues were discussed prior to the scope being determined. *Advocates that Framework should determine first what the objectives of the GPFR are, and then consider the scope.*	repositioning para BC1.5 and consideration of structure of ED re positioning of scope and discussion of objectives and user information needs.
017	D	*No comments specifically on scope*	
018	A	We agree with the Role, Authority, and Scope of the Conceptual Framework ... Some recognition should be given to other public sector entities, such as the UN, OECD, and NATO. We suggest the following be added to the second sentence in paragraph 1.8: "as well as other public sector entities, such as the UN, OECD, and NATO. These concepts will help avoid any misunderstandings that may occur during implementation."	Noted - Staff would prefer to maintain broad description of entities as in para 1.8. See also comment from respondent 9 above.
019	D	*No comments specifically on broad scope*	
020	A	*No comments specifically on scope, broad agreement with this section, see comments on role*	
021	B	Members that are preparers and auditors of financial information of public sectors entities believe that the scope of the conceptual framework shouldn't be extended to information other than the financial statements (F/S). Information other than F/S, which includes financial and non-financial information about the achievement of financial and service delivery objectives, cannot always meet the same criteria and goals of the F/S..... ...members indicated that there may be a need to a conceptual framework for information other than F/S, and if so, the conceptual framework for the F/S and the one for the information other than F/S should be in separate documents....the users of the financial statements and the users of information other than F/S are not always the same, thus the objectives and goals of the information disclosed shouldn't be the same neither. The information other than F/S is by nature more subjective and less verifiable and, moreover, it would be almost impossible to assess its completeness. Members that represent taxpayers and other members of the community that benefit from the services provided by the public sector entities believe that the conceptual framework should be	Noted. Similar concerns about scope are also raised by others – see staff comments above. Explanation of QCs (para 3.5) attempts to provide context and acknowledges additional guidance on verifiability and other QC would be provided as projects developed. Staff notes views of members of the committee that represent taxpayers and other potential users (hence B classification here). Board view has also been

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		the same for financial statements and for other information provided by public sector entities.	that a single Framework should be developed.
022	A	…support the proposal (par. 1.5to1.7) that scope of public sector GPFR should be drawn widely.	
023	A	NAO agrees with the concept that General Purpose Financial Reports (GPFRs) of public sector entities are to be more comprehensive than private sector financial statements including their notes, although the latter remain at the core of financial reporting. NAO also opines that GPFRs are to be prepared to meet users' information needs.	
024	A	Supports view (para 1.6 and BC1.5) that the reports of public sector entities have a scope that is more comprehensive than financial statements and their notes. ....However, reference is made in the document title and throughout the document to ***financial*** statements, ***financial*** reporting, etc. Such references appear to limit the scope to financial information only and are in contradiction to the more comprehensive scope, as set out in paragraphs 1.6 and BC1.5. Consequently, the references to "financial" in the title and elsewhere in the document are inappropriate and should be amended to reflect the wider scope (e.g. integrated reporting). *Notes edits may be necessary because reference in para 1.1 to "accrual accounting" is only relevant to financial information; not to service delivery and other non-financial information.* The GPFR should not be limited to reporting on the current reporting period, but should specifically extend to reporting on the short-, medium- and long-term and a discussion to this effect should be included in the framework.	Noted – revisit reference to accrual in para 1.1 in drafting review. Board has previously discussed use of "financial" in GPFRs and financial statements After some discussion, Board view was that it was generally understood that non-financial information may be included in such reports
025	A	The conceptual framework is designed to provide a framework for the development of standards and non authoritative guidance, which incorporates ...financial statements; prospective financial information; and non financial information. We fully agree that the two latter areas of reporting form an important part of financial reporting in the public sector. However we have concerns regarding whether IPSASB will have the resources required to deliver such an ambitious programme which incorporates aspects of financial reporting that have not previously been subject to international codification. It is also possible that the work required to maintain and develop the current suite of IPSAS will increase in future: ...following the introduction of the new IASB/FASB Conceptual Framework, future IFRS may require more modification to make them suitable for the public sector; the new IPSASB Conceptual Framework could result in more extensive changes to	Noted. Agree with observations re pressures/constraints on work program.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		IFRS when adapting them for the public sector than were required previously; and the IPSASB Conceptual Framework may result in further standards that are unique to the public sector and not based on IFRS. We therefore welcome the statement in Paragraph BC1.8 that initial focus will be on financial statements and that the other aspects of financial reporting will be considered at a later date. However we urge caution in addressing these other issues until the basics requirements of financial statements under the new Conceptual Framework are substantially met.	
026	C	The CNOCP wishes nevertheless to expresses "a reservation about the scope of the consultation on the Conceptual Framework. The CNOCP regrets that the issue of the scope is not addressed specifically by a request for comment, because it considers that the Conceptual Framework should only apply to the financial statements, that is to say the balance sheet, the income statement and the notes and not to the additional information which the IPSAS Board proposes to include in the General Purpose Financial Report. The CNOCP believes that information additional to that provided in the accounts should be given, but that the Conceptual Framework is not necessarily applicable to this additional information, and this is even more the case where the revenue and expense-led approach is adopted.... **...**the CNOCP considers that the Conceptual Framework for public sector entities should be of a strictly accounting nature and that it therefore applies exclusively to the financial statements, that is to say the balance sheet, the income statement and the notes. Nevertheless, the CNOCP is not opposed to the idea of enhancing the information given in the financial statements, which is of a purely accounting nature, by providing additional information that improves the users' understanding of the latter.	Noted. Similar concerns are also raised by others – see staff comments above. See also general comments - respondent notes that comments on other SMCs relate to the financial statements only.
027	B	We agree that a more comprehensive scope for financial reporting is necessary to ensure that financial information responds to users' needs and will allow financial reporting to evolve and develop in the future. We also agree that this should be addressed through non-authoritative guidance.	Noted – see above, whether guidance might be authoritative or not will considered as project developed and subject to full due process.
028	D	*Does not comment specifically on scope , but explains scope is derived from users and objectives and has some concerns about the dual objectives See comments on objective.* My substantive concerns relate to scope, objectives and primary users which I believe are inextricably intertwined. The starting point is that the CF of IPSASB is related to General Purpose Financial Reports (GPFRs) within which are General Purpose Financial Statements	Staff agrees with this analysis – the Framework does not envisage the Board developing IPSASs/guidance for specific users for specific decisions.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		(GPFSs). This is clearly related to the scope question. By default this says that specific reports for specific users for specific decision making purposes are outside the scope of interest.	
029	A	...FEE agrees with the scope of financial reporting as set out in the Exposure Draft. We agree that it is appropriate that the widening of the scope is accompanied by an acknowledgement that IPSASB may address wider reporting needs through non-authoritative guidance.	
030	B	In our comments on the initial consultation paper, the Treasury congratulated the IPSASB on its consideration of the scope of financial reporting and the meaning of general purpose financial reports but expressed some discomfort at the diagram that was presented in that document. We are therefore disappointed that the IPSASB appears to have retreated from its attempt to clarify what is meant by general purpose financial reports, confining itself to the observations that the scope of financial reporting is determined by the needs of the primary users, that it is more comprehensive than financial statements and that the scope of financial reporting will evolve. These statements are valid, but are inadequate for a conceptual framework that seeks to establish the concepts that underpin general purpose financial reporting.... *Staff comment: The respondent expresses the view that the ED is not clear on how the needs of the primary users determine the scope of general purpose financial reports, what is included within the scope or how it will evolve, and urges the IPSASB to better explain general purpose financial reporting. Noting this is critical to gaining general acceptance of the scope and in setting the IPSASB's agenda and priorities.* *The comment letter includes* suggestions for developing an explanation of general purpose financial reporting including noting that users will need to make assessments and decisions about the "sustainability of the entity..., the flexibility of the entity...., the vulnerability of the entity...., and the performance of the entity...". The response also includes a diagram outlining the relationship between financial statements, GPFRs and the annual report.	Noted – concerns identified here echo concerns of others that more detailed criteria for determining the boundary are not identified and identification of the scope appear early in the ED and without the "build" that comes from their location following the discussion of users and user information needs. The factors identified here have been considered by the Board in early drafts of the CP, and embrace, but may be broader than, users' information needs as outlined in section 2 of the ED.
031	C	We continue to question the appropriateness of including non-financial and prospective information in a conceptual framework for accounting standards. The Board should focus its mandate on the development of accounting standards for historical-based financial information. Comparability and verifiability of any prospective information would be questionable without a standard agreed upon method of measuring and presenting the information. The inclusion of such information in reports that have been traditionally limited to historical accounting information is a new concept and the current expertise of professional accounting	Noted. Similar concerns are also raised by others – see staff comments above.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		organizations, audit firms and other stakeholders is limited and would require extensive time and resources to achieve the desired goal of the proposed framework. ... The development of accounting standards alone is extensive in terms of time and resources to our Canadian standard setters. A broad scope that includes non-financial and prospective information may take away from the availability of your Board's resources to focus on the development of the initial accounting standards.	
032	A	The requirements for financial reporting in Denmark are already targeted towards information needs of the users and are consistent with the objectives for financial reporting. We can therefore on a general level support the proposed view regarding the scope of GPFRs. Even though the Danish model differs regarding users of GPFRs, we will address this in the following section (3) of our comment paper.	
033	C	The province is concerned with the breadth of the proposed conceptual framework ... The province believes that the scope of the conceptual framework should be limited to general purpose financial statements. The province believes that general purpose financial statements are intended to provide accountability to the general public for the resources available to government and the uses to which the resources were applied. Government financial statements are not predictive; in that past performance is not indicative of future performance in either policy focus or in levels of service delivery nor is the balance sheet indicative or intended to be indicative of the ability of the government to provide services in the future. Future performance expectations from both a policy focus and service delivery levels are presented in the Throne Speech and the budget. ...The exposure draft does not adequately explain why it wants to expand the scope of IPSASB beyond GPFS, nor does it provide any evidence that users want this information. We are not aware of any survey or empirical or empirical study on a global basis that would support a conclusion that financialstatement users on a global basis need IPSASB to adopt this broader scope of coverage. …To include information about the future in GPFRS would in the short term imply the involvement of IPSASB in setting standards for budgeting process or disclosure of budget expectations and in long term IPSASB attempting to set standards for disclosing policy goals of current and future governments.	Noted. Similar concerns are also raised by others – see staff comments above. In developing its views, the IPSASB considered studies and other input from a number of jurisdictions that focussed on user information needs. The intent of the ED is to acknowledge that GPFRs can disclose information useful for users in assess compliance with budgets and information about, for example, the entity's future service activities and resource requirements. The explanation of this may need to be revisited and clarified.
034	A	CIPFA agrees with the scope of financial reporting as set out in the Exposure Draft. In line with previous comments on Preliminary View 1 and Preliminary View 5 of the 2008	Noted – similar views also expressed by others

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		Consultation Paper, in which all UK stakeholders expressed reservations about the widening of scope, CIPFA welcomes the explanation of the way in which the Board approach the evolution of wider scope reporting, and in particular we welcome the acknowledgement that IPSASB may address wider reporting needs through non-authoritative guidance. ... Even so, we would note that the Board has limited resources, and is committed to a substantial workload in completing development of the Conceptual Framework and more mainstream development such as an IPSAS on Entity Combinations and 'maintenance' of converged IPSAS, such as Financial Instruments, where the relevant IFRS are undergoing substantial change. Given this we would urge caution in pursuing development of wider reporting beyond those topics, such as Long Term Fiscal Sustainability, which the Board has included in its work plan after specific consultation on the Board's agenda.	
035	C	.... IPSAS Board should not prescribe the scope of non-financial information to be reported. Governing bodies set requirements for 'results' and 'programme delivery' reporting. In addition, according to paragraph 1 of the Terms of Reference of the IPSAS Board, the purpose of the IPSAS Board is "to develop high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements". Guidelines on presentation of non-financial information relating to service delivery reporting may be more appropriately presented in Studies, Occasional Papers and other pronouncements of the IPSAS Board. *See also comments under users which expresses concern about implication of broad scope for the ability GPFRs of entities other than governments (for example, UN agencies) to respond to the information needs of particular subgroups of service recipients or resource providers.*	Noted. Similar concerns are also raised by others – see staff comments above. Staff view is of the view that it ascribes to the Framework more authority than intended by the Board. However, it does signal that there is an issue re whether explanation of the role and authority of the Framework is clear.
036	A	We agree with the proposed Role, authority and scope of the Conceptual Framework.	
037	C	Nova Scotia does not agree... The critical issue we have is the standard setters position that the Conceptual Framework will provide guidance over "general purpose financial reporting" (rather than financial statements) and include guidance over "non-financial quantitative and qualitative information" (as first noted in paragraph 1.6). ...We feel it is inappropriate for any organization to take such a broad "authority" over a sovereign entity's organizational reporting. Further, an accounting standards board should not be presuming to have the appropriate level of expertise to delve into the "non-financial quantitative and qualitative information". Such a broad coverage of information becomes so much broader in the international context.	Noted. Similar concerns are also raised by others – see staff comments above.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		This is a very significant concern of Nova Scotia and we would hope that any future considerations of convergence will not proceed until this position is greatly pulled back into accounting standards and financial reporting for general purpose financial statements. *Also notes in introductory comments* - It is Nova Scotia's view that standard setting relates to accounting principles and these accounting principles need to consider a public sector entity's fiscal/ financial reporting as its reference point. However, it is important that the standard setter does not step into a role of presuming to have authority over how these fiscal/ financial plans are developed or overstep by being too prescriptive with regard to the standard setter's "requirements". Government must maintain the prerogative to budget, and provide interim reports, based on the relevant information for the particular circumstance. This requires great flexibility and does not need to be subject to standardized accounting principles (i.e. sometimes cash projections are appropriate). Accounting principles are a critical element of fair presentation of financial statements. Logically, the budget should be presented in a manner that is comparable to the financial statement presentation (to complete the accountability cycle) however the responsibility for this policy decision is the government's.	
038	C	...we believe that the Conceptual Framework and development of IPSAS should be limited to financial statements and not broadened to include other forms of general purpose financial reports. The purpose of the IPSASB as outlined in the "Terms of Reference" is to develop high-quality accounting standards for use by public sector entities in the preparation of general purpose financial statements. While studies to provide advice on financial reporting issues and papers or research reports to provide information may also be produced, these documents are not authoritative in nature....The IPSASB should devote its resources to the development of accounting standards to support the production of high quality financial statements. Each country that applies IPSAS has its own governing body which establishes requirements to provide information to citizens on financial reporting, which may include information about the past and present (such as financial statements) or the future (such as sustainability reporting). Given the diverse range of users of IPSAS both in size and sophistication, IPSAS should allow each individual country to determine its financial reporting needs. While it is viewed as a desirable goal to have a consistent basis for the preparation of financial statements to be able to compare different countries; there is less of a need for comparison with respect to other financial reports. *Respond also notes problems with defining elements for financial statements and future oriented financial statements and provides Social Benefit Programs as an example*. For	Noted. Similar concerns are also raised by others – see staff comments above. Staff agrees with observations regarding the difficulty of defining elements for the broader scope issue, and hence the focus of the elements phase on financial statements. However, staff is of view that these comments signal that the Board's view of the relationship of the elements Phase of the Framework to the broader scope could be clarified – whether such clarification occurs in Phase 1 or Phase 2.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		financial statement purposes it may be considered appropriate only to include liabilities due and payable at year end which have been funded by revenues earned to date. Whereas a future oriented sustainability report may want to expand the definition of a liability to include future obligations related to current citizens and/or future tax revenue streams, which support such programs to provide information as to whether current government programs are sustainable in the long term. By creating standards that exend to financial reports other than financial statements, there could be significant implications from an audit perspective. One might question whether an auditor general would be required or feel compelled to provide an opinion on these financial reports if there were "accounting standards" that governed their preparation. When dealing with non-financial information and service delivery outcomes, the expertise to evaluate and opine on these matters will not reside with financial experts, requiring the use of specialists for both the preparation and audits of the information. These professionals may not be accustomed to following standards established by an accounting body and thus proper understanding and application of any proposed IPSASB standards may become an issue..	
039	A	We are pleased to note that the ED recognises that information included in general purpose financial reporting is more comprehensive than the financial statements. This more comprehensive information is necessary to ensure that financial reporting is able to achieve its objectives, and we welcome the reference in the Conceptual Framework. *From general comments* - We are particularly interested in the scope of the Conceptual Framework and, hence, in the extent of the need for standards and guidance in reporting beyond the financial statements. This includes, for example, narrative reporting, performance reporting and fiscal and environmental sustainability reporting. It relates to the way in which information is published and the concerns expressed in some quarters that annual reports and accounts generally are too long and complex. It also raises the challenge that there may be other ways of conveying the information, particularly in an age of web-based communication. We know that IPSASB has projects in some of these areas and we look forward to commenting on them in due course. A general point we would make is that whilst finance is integral to everything that the public sector does, public service delivery and measuring performance often include measures that are not all financial. Thus, we believe that a general purpose financial reporting framework should aim to go as wide as possible in its intended coverage, and that there may be space for others also to contribute, particularly in the areas of environmental reporting. We would also note that many of these issues are common across all sectors of the economy and are not inherently	Point taken re issues apply across all sectors. Linkages to and interaction with other GRI/sustainable reporting initiatives noted.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		public sector specific.	
040	C	We disagree with this proposal. The conceptual framework should not apply to reports other the financial statements governments produce, such as annual and budgetary reports. For the latter, it is up to governments to develop a framework for information that fosters accountability and transparency, based on the needs of the public and the socio-economic and legislative environment. The conceptual framework should not apply to non-financial or forward-looking information. In the latter case, it frequently brings assumptions into play regarding future events, a field of expertise outside the realm of accounting. In addition, in a context of limited resources, accounting standard-setters should concentrate their efforts on the financial information presented in financial statements. *Staff comment: Also notes in introductory comments that governments may issue reports dealing with these broader matters:* On the other hand, governments publish many reports other than financial statements containing information on their operations. It is up to governments to develop a presentation framework for these documents that fosters accountability and transparency based on the needs of users.	Noted. Similar concerns are also raised by others – see staff comments above.
041	B	Paragraph 1.5 of the ED states that "The scope of financial reporting will evolve in response to users' information needs, consistent with the objectives of financial reporting." We accept that there will continue to be developments in financial reporting and acknowledge that this statement is a pragmatic approach to the issue. However, we think it is critical that Phase 1 of the Conceptual Framework project look more closely at the boundaries of financial reporting and specify a starting point. In our comment letter on the IPSASB's Consultation Paper *Reporting on the Long-Term Sustainability of Public Finances* (LTFS) we stated that we do 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. We have 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. …Although we agree that budget to actual comparisons provide useful information within the context of historical financial statements, we think it would be helpful if the IPSASB considered the broader issue of whether budget reports fall within the definition of a general purpose financial report. We therefore recommend that the scope be more specified than in the current ED to assist	Noted – this matter has also been raised by others. To some extent it also goes to the structure of the ED and justification of the scope. See comments above re IPSASB deliberations on more detailed exposition of scope.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		users in differentiating between general purpose financial reports, and other financial and non-financial reports. The FRSB considers that clarifying the scope is a fundamental feature of the Conceptual Framework.	
042	D	*No comments specifically on scope.*	
043	D	*No comments specifically on scope.*	
044	A	The Joint Accounting Bodies welcome the decision of the IPSASB that the CF reflects a scope for financial reporting that is more comprehensive than that encompassed by financial statements including their notes. It appropriately acknowledges the importance in this sector of reporting non-financial information and prospective information. The scope of financial reporting will evolve in response to users information needs, consistent with the decision-making objective of financial reporting. The Joint Accounting Bodies note the IPSASB CF ED 1 paragraph 3.15 makes comment about the economic and other phenomena represented in GPFRs. We believe it important that information about phenomena other than economic be dealt with explicitly within the scope section of the CF, as it is a determinant of which useful information is within the scope of financial reporting and which useful information is outside the scope of financial reporting.	Use/clarification of terminology noted. This, in part also goes to the structure of the ED re justifying the scope. This has also been raised by others. Consider as part of Board deliberations on structure/justification of scope.
045	A	*Notes general agreement with role, authority (with some reservation as noted above) and scope but questions whether* "operating characteristics of public sector entities" in Para. 1.5 and BC 1.6 are the same as key characteristics set out in the new ED, Key Characteristics of the Public Sector? If they are not, then this phrase needs to be defined as these "operating" characteristics would seem to have a significant impact on the scope of financial reporting. Operating characteristics generally exclude financing characteristics, such as the fact there is no "owner" for many public sector entities in the same sense that there would be for a private sector corporation....If "operating characteristics" are the same as the key characteristics, then these two paragraphs are examples of places where links to this umbrella document might be made. Either clarity or consistency in terminology is required. Refer to Para. BC. 1.9, 2nd sentence - The meaning of this sentence is not clear.	Agree linkage should be clear. Operating characteristics were noted initially in drafts of this ED before the separate "characteristics" ED was developed. Revisit and clarify as Board considers responses to characteristics ED. Staff will follow up with respondent re BC 1.9.
046	B	The AASB agrees that the scope of general purpose financial reporting should evolve in response to users' information needs. However, the AASB considers that such evolution needs to be supported by conceptual guidance that helps identify the boundaries of general purpose financial reporting. The AASB does not consider usefulness a sufficient criterion, of itself, for determining which information types should fall within the scope of general purpose financial	Noted – this matter has also been raised by others. To some extent it also goes to the structure of the ED and "build" from user needs to justify

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		reporting. If the IPSASB does not define the scope of general purpose financial reporting at this stage, it should at least specify criteria for assessing how the scope of general purpose financial reporting should evolve in response to users' information needs. The AASB considers 'economic phenomena' a broad notion encompassing scarce resources, claims to scarce resources, and inflows and consumptions of scarce resources. The AASB is concerned that the references to phenomena other than economic phenomena in the ED implicitly expand the scope of general purpose financial reporting, and considers that such matters should be dealt with explicitly in the 'scope of general purpose financial reporting' component of the Conceptual Framework. *Respondent notes its submission on the IPSASB Consultation Paper Reporting on the Long-Term Sustainability of Public Finances "...*expresses a view that information about the long-term affordability of a government's policies may be useful for decision making by users of the government's financial reports but would not be suitable for general purpose financial reporting. Therefore, the AASB considers it unclear which types of useful information the ED would conclude belong within the scope of general purpose financial reporting and which types of useful information fall outside the scope of general purpose financial reporting."	scope.
047	C	We admit that adding elements of analysis, prospective information or information on sustainability may be very useful to the user of financial statements. However, we consider that the Conceptual Framework should only address accounting matters, therefore it should only apply to financial statements (that is to say the balance sheet, the income statement and the notes to the financial statements) of public sector entities. To our opinion, additional information should remain subject to national laws. Moreover, the DGFiP agrees with the Conceptual Framework applying to a large variety of public sector entities (national, state/provincial and local governments, agencies, public sector social security funds, etc.), as it is stated in the ED.	Noted. Similar concerns are also raised by others – see staff comments above.
048	D	*No comments specifically on scope.*	
049	B	Concerning this, in principle, broad perimeter, the French Court of Auditors has no objection in essence, as it willingly agrees that financial information clearly extends beyond accounting statements, a stance supported by the situation in France today (budget execution, performance reports, forward stability programme in the frame of the ED ...). Nevertheless, it feels that any new move forward by the IPSAS Board in this field cannot be placed on the same level as accounting standards. In this respect, it seeks elucidation as to	Similar concerns are also raised by others – see comments above. Staff agree that message re focus of Phase 2 and 3 should be clarified. Would prefer to reserve view on Phase

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		paragraph 1.7, second sentence and BC.1.8: it must be stated clearly that sections 2 and 3 of the conceptual framework (*definition, recognition and measurement*) and in the future section 4 covering the presentation of reporting statements, are relevant only for the drawing up of standards governing actual financial statements, and that the drafting of new ways forward for the rest (e.g.: sustainability reports) will come under a different rationale. The last sentence of paragraph 3.5 mentioned further on must be clarified in this respect.	4 until exposure. Agree re para 3.5 -clarify so as not to imply, guidance will always be in form of an IPSAS.
050	B	In our view, the scope of the conceptual framework is inappropriately focused on financial statements. We note that paragraph 1.6 of the exposure draft acknowledges users' interest in a richer array of information than is provided by financial statements alone. However, the other information is not fully discussed and is not set out in a way that provides the right overarching reporting framework. In our view, general purpose financial reporting by public sector entities should explain what has been done with the resources provided, what effect the entity has had, and whether it can continue to do so in the future. Such a view fits well with the objectives of general purpose financial reporting..... For accountability to be properly served, both financial and non-financial information needs to work in conjunction with one another. For that reason, we think both types of information need to be put on the same footing.... If the scope of the conceptual framework starts with the need for general purpose financial reporting to convey to users the story, financial statements will not be main focus of general purpose financial reporting. Rather, financial statements will support the telling of the story. This should help to ensure that in future financial reporting standards are developed in a manner consistent with public sector entities' broader reporting responsibilities. Respondent acknowledges "that the exposure draft contains some statements that reinforce our views above" and *identifies paragraphs 2.3, the first part of paragraph 2.16 as examples of this. Respond also notes that to achieve the objectives of financial reporting and respond to users information needs as identified in the Framework "good non-financial information will need to work in conjunction with financial information" and advocates the IPSASB to* "more clearly articulate this within the conceptual framework by putting financial and non-financial information on the same footing." We are of the view that users of GPFRs are not only those who are unable to require the preparation of financial reports tailored to meet their specific needs but may also include users that elect not to require the preparation of financial reports tailored to meet their specific information needs. We therefore suggest that paragraph 1.3 be reworded as follows .... ".... GPFRs are financial reports intended to meet the information needs of users who are unable to	Staff is of the view that the concerns here go to matters of structure and explanation rather than fundamental differences with principles underlying the Board's views. Revisit these views as Board considers structure and justification of scope. Staff is uncomfortable with amendments to the users in section 2 to extend users to encompass those that have the authority to require special purpose financial reports but elect not require them. Staff is concerned about what such an extension of users may mean for the user needs it is anticipated that IPSASs will respond to. Consider further.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
		(and those that elect not to) require the preparation of financial reports tailored to meet their specific information needs."	
051	D	*No comments specifically on scope see comments under "role" which refer generally to need to respond to different jurisdictional circumstances and integrate with audit.*	
052	B	While we agree that the scope of the Framework should be "general purpose financial reports" rather than just "general purpose financial statements", we question what is meant by "general purpose financial reports". In this context, we question how: • GPFRs will be identified from the variety of information produced by governments and public sector entities, i.e. what is the delineation between "general purpose financial reports" and other general purpose reports that may be prepared for similar users. • Use of the term "financial" reports reconciles with, for example, the provision of non-financial information such as reports on performance measures. We suggest that, in order to clarify the scope, as well as what is meant by "financial", "general purpose financial reports" should be limited to information that enhances, complements or supplements the financial statements. [Staff comment: *Respondent provides examples of how this could be explained in respect of reporting on the long term sustainability of public finances and reporting on performance measure, and notes that while other information such as reporting on environmental sustainability, human resources and governance is important for accountability and decision-making, it extends beyond the scope and mandate of an accounting standard-setter.*] *Respondent also proposes that consistent with this approach*, "it would be useful for the conceptual framework explain that: • a variety of information may be necessary to meet users' needs regarding accountability and decision-making...; • The IPSASB's mandate is to provide information that enhances, complements or supplements the financial statements... -provided in a GPFR • Other international or local bodies may provide guidance on the reporting of other information that forms part of "government reports.... A proposed diagram outlining the boundaries between the various reports is included at Annexure A.	Staff notes that the Board considered such an approach when developing the CP, but ultimately moved away from such an approach. As noted above, members have previously discussed whether to use the term GPFRs or other terminology.

R#	CATE-GORY	SMC 1(c) COMMENTS ON SCOPE	STAFF COMMENT
053	D	*No comments specifically on scope*	
054	C	We strongly disagree with IPSASB's inclusion of GPFR within the scope of the Conceptual Framework. This would allow IPSASB to develop IPSAS for the presentation of non-financial information. The additional information that a jurisdiction wishes to provide to its users will vary significantly between jurisdictions. We feel strongly that that the choice of non-financial information to present should be left to the discretion of each reporting jurisdiction. Only general purpose financial statements (GPFS) should be included within the scope of the Conceptual Framework. We (would) like to emphasize that the type and extent of information on service delivery performance should be at the government's discretion. This type of information is highly subjective and is based on assumptions and estimates. Including this information within the scope of the conceptual framework will expose the information to the same level of assurance as a GPFS. This will create significant issues for governments as well as the audit community.	Noted. Similar concerns are also raised by others – see staff comments above.

ADDITIONAL ISSUES IDENTIFIED ON SECTION 1 OF THE ED —ROLE, AUTHORITY AND SCOPE

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	EXCLUSION OF GBEs FROM THE SCOPE OF THE FRAMEWORK	
002	However, ACAG notes the exclusion of government business enterprises (GBEs) and is concerned as to how the IPSASB will address the issues arising from this exclusion i.e. the practical implications for consolidating GBEs in whole-of-Government financial statements.	Noted. Para BC 4.11 notes GBE's may be encompassed within the group. Technical issues will then be dealt with at standards level.
003	... HoTARAC is particularly concerned about the pre-emptive exclusion of GBEs from the scope of the Framework (paragraph 1.1). Based on paragraph 4.7 and perhaps paragraph 4.11, the IPSASB acknowledged that GBEs are controlled by the whole of Government (or other public sector entities controlled by the Government). This clearly suggests that GBEs should be part of a public sector group reporting entity (e.g. the group reporting entity being the whole of Government or other public sector entity). However, HoTARAC notes that the IPSASB has excluded GBEs without a sound justification. Therefore, as mentioned above, HoTARAC recommends that the IPSASB acknowledge that GBEs are public sector entities and develop the Framework so that concepts are broad enough to be applied to GBEs. ... HoTARAC is of the view that Government Business Enterprises (GBEs) should be acknowledged within the Framework as they form part of the public sector, as stated in the IPSASB ED *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*. Furthermore, GBEs are accountable to Parliament for use of resources (paragraph BC2.3) and provide services to recipients (paragraph BC2.5). HoTARAC believes that the concepts in the Framework should be broad enough to encompass GBEs while recognizing that users of GBEs' financial statements are likely to have different needs to those of other public sector entities. If the IPSASB elects to exclude GBEs from the Framework, HoTARAC notes that additional reporting will be required by GBEs (outside their financial statements) where they form part of a group reporting entity that does apply the Framework. HoTARAC also notes that GBEs are reported in the Australian Government's Whole of Government financial statements.	GBE's – point noted Staff is of the view that the Framework could usefully outline the reasons for exclusion of GBEs as currently defined and the proposed IPSASB project on GBE's.
006	Paragraph 4.7 and 4.11 - Further, NSW Treasury is particularly concerned about the pre-emptive exclusion of GBEs from the scope of the Framework (para 1.1). Based on paragraph 4.7 and perhaps 4.11, the IPSASB acknowledged that GBEs are controlled by the whole of Government (or other public sector entity controlled by the Government). This	Noted. Similar concerns are also raised by others – see staff comments above.

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	clearly suggests that GBEs should be part of a public sector group reporting entity (e.g. the group reporting entity being the whole of Government or other public sector entity). However, we note that the IPSASB has excluded GBEs without a sound justification. Therefore, we strongly encourage the IPSASB to re-consider the scope of the Framework for the inclusion of GBEs. ... The exclusion of GBEs reduces the Framework from a framework for the Public Sector to a framework for a section of the Public Sector, that is, the General Government Sector (as that term is used in International Statistical Frameworks). ... para 1.1 of the exposure draft is contrary to BC4.18 by pre-emptively excluding GBE entities from the Framework scope, when they are theoretically in scope. Further, whilst BC4.21 asserts the potential argument of relevance in centralised or planned economies, that argument does not apply to all or most non-centralised western economies. To state the argument in reverse, GBEs are equally in the scope of the proposed Framework level, unless otherwise determined at the level of accounting standards. The counter argument to BC4.18 is that the scope of Government is the entire Government, without exclusions. Therefore, a current section of the Government, e.g. GBEs, should not be excluded. Importantly, such pre-emptive exclusion at para 1.1 creates a totally unnecessary divergence from the IASB Framework.	
014	"As a characteristic of GBEs it appears important that they act in a market and that they are profit-oriented". This point does not concern the Conceptual Framework. But the opportunity is taken to point out to the IPSAS Board that IPSAS 1 should be revised….. Therefore, in IPSAS 1, Heading 7, a further item should be taken up in the list of characteristics of GBEs: … (f) act as a profit-oriented entity in a market.	Noted – relevant for GBE project.
020	However, we believe that the ….reason for the exception relating to GBE's should be stated …. With regards to GBE's, the accounting treatment should be clearly stated in the Conceptual Framework because there are many countries and jurisdictions where the roles of the GBEs in the public sector are extensive.	Noted. Similar concerns are also raised by others – see staff comments above.
021	Members noticed that Government Business Enterprises (GBE) are excluded of the scope of the GPFRs and are also excluded for now, from the scope of the concepts of the reporting entity of IFRS. Guidance will need to be given to these entities.	Noted
046	The AASB recommends clarifying the statement in paragraph 1.8 of the ED that the IPSASB Conceptual Framework applies to public sector entities other than government business enterprises (GBEs). Given the role of the IPSASB Conceptual Framework for the	Noted. Similar concerns are also raised by others – see staff comments above. As noted

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	development of IPSASs, the AASB considers it important to define GBEs, explain the nature of GBEs and the IPSASB's reasons for excluding them from its Conceptual Framework. This explanation should include an articulation of whether GBEs necessarily are for-profit entities and, if not: (a) the circumstances in which they would be not-for-profit entities; and (b) why the IPSASB Conceptual Framework should not apply to those not-for-profit entities. The AASB's view is that all public sector not-for-profit entities should fall within the scope of IPSASs and the IPSASB Conceptual Framework. The AASB considers it important to clarify in paragraph 1.8 that, whilst general purpose financial reports of for-profit GBEs as separate reporting entities are not within the scope of the IPSASB Conceptual Framework, information about for-profit GBEs included in the general purpose financial reports of governments and other not-for-profit public sector entities is within the scope of the IPSASB Conceptual Framework. The present wording of paragraph 1.8 has caused some confusion in Australia, as noted in submissions to the IPSASB from some Australian commentators on the ED. Subject to the comments above about any not-for-profit GBEs, the AASB recommends reiterating in the IPSASB Conceptual Framework that GBEs apply IFRSs. The AASB considers it equally important to say this in the IPSASB Conceptual Framework as it is to say it in the Preface to IPSASs and in the scope section of individual IPSASs.	above. Para BC 4.11 does acknowledge that GBE's may be encompassed within the group. but it is cryptic and well distanced from the reference to their exclusion in para 1.8. .
050	In our view, it is not appropriate that the conceptual framework excludes all GBEs, given the way in which GBEs are defined. Also, to the extent that any public sector entities are excluded from the framework, thought needs to be given to the interaction between the excluded entities and entities covered by the framework. We take this opportunity to reinforce that there is a problem with the current definition of GBE within IPSASs. Part (c) of paragraph 7 in IPSAS 1 notes that a characteristic of a GBE is that it "sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery". As the IPSASB will be aware, there is a range of different types of GBEs based on the current definition. Some GBEs are similar to companies in the private sector, where the primary objective is to maximise a financial return to equity holders. Other GBEs' primary objective is to provide goods or services for social benefit. In our view, it is not rational to	Noted. Similar concerns are also raised by others – see staff comments above. Staff is of view that this type of approach to resolving the positioning of GBEs re the Framework issue has merit and may usefully be further developed.

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	exclude the latter group of GBEs from the IPSASB conceptual framework. Also, if the GBEs with a primary objective of maximising a financial return to equity holders are excluded from the conceptual framework, those entities must be appropriately dealt with elsewhere. For instance, if those entities are to be directed to the standards and framework of the IASB, in our view, it is imperative that the IPSASB ensure that the IASB is committed to delivering standards and a framework that is appropriate to meet the user needs of those entities. Lastly, on the basis that GBEs with a primary objective of maximising a financial return to equity holders are excluded from the IPSASB conceptual framework, in our view, it is important that the IPSASB conceptual framework addresses the integration of those GBEs with other public sector entities that together form part of a wider group reporting entity.	
052	In the context of the scope of the conceptual framework being expanded to general purpose financial reporting, we question whether some of this information may be useful in exercising accountability and decision-making in Government Business Enterprises. For example presenting performance information and information on long term fiscal sustainability may be useful in assessing the performance and viability of GBEs. While we note that the application of IPSASs or IFRSs by GBEs may be jurisdictional, we would suggest that the IPSASB consider the application of the Framework generally to GBEs. In our discussions, we also questioned whether GBEs should be applying IFRSs or IPSASs. Currently, GBEs do not apply IPSASs because they are deemed to operate to generate a profit. We contend that because GBEs potentially have the same users as other public sector entities, and prepare financial reports to meet the same objectives, a case could be made for them to apply IPSASs rather than IFRSs.	Noted. Similar concerns are also raised by others – see staff comments above.
	COMMENTS ON RELATIONSHIP WITH IASB FRAMEWORK	
001	*Respondent notes the IPSASB's IFRS convergence program and observes:* We believe it would be helpful to extend that discussion to identify where the IPSASB Framework has reached different conclusions to those reached within the IFRS Framework, so as to highlight to the users that there are differences between the two Frameworks. As an example, we note the IASB's distinction between fundamental and enhancing qualitative characteristics is discussed within the Basis of Conclusions of IPSASB's Framework, but is not highlighted as a difference with the IASB's Framework. We would encourage the IPSASB to be flexible during the development of its own Framework to react to changes	Point noted. Appendix 3A identifies positions adopted in current IASB Framework. Consider in broader discussion of role, nature and placement of appendices.

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	that may arise from the IASB Framework project.	
002	Consistent with our letter of 31 March 2009 in response to the Consultation Paper on this topic, ACAG considers that a single global reporting framework for all sectors is preferable.	IASB Framework. Point noted.
003	HoTARAC previously expressed concerns that "the proposed IPSASB framework approach may be inconsistent with some of the IPSASs, which are implicitly based on the IASB Framework, and could be interpreted to represent a fundamental change in approach that could promote divergence rather than convergence with International Financial Reporting Standards (IFRS)". HoTARAC's view is that the IPSASB and the IASB Frameworks should where possible be consistent, acknowledging that there may be circumstances where divergence is appropriate to better address situations and transactions unique to the public sector. In certain situations, HoTARAC believes that IPSASB should consider the issues on their merits from a public sector perspective. For example, HoTARAC supports the inclusion of an acknowledgment of differential reporting in the IPSASB's Conceptual Framework and strengthening the Conceptual Framework's authoritative status. HoTARAC's preference is that the IPSASB and IASB work more closely to achieve convergence of their respective conceptual frameworks and other pronouncements. The greater the potential for divergence between pronouncements applicable to government business enterprises (GBEs) (issued by the IASB) and pronouncements applicable to other public sector entities (potentially issued by the IPSASB), the more significant are the practical difficulties in preparing consolidated financial statements for a whole-of-Government reporting entity. HoTARAC believes the IPSASB's "Process for Reviewing and Modifying IASB Documents" is applicable (at least in part) to the development of a conceptual framework – particularly if alignment (to the degree possible) with IFRS is to remain an objective. HoTARAC suggests that IPSASB includes in its Basis for Conclusions the rationale for major differences between the two frameworks.	Noted. The Board and staff closely monitor and consider the IASB Framework and developments thereon as the public sector Framework is developed. On-going dialogue/contact is maintained at Board and staff level. Board also monitors work of NSS-4 group which reviews IASB conceptual Framework papers under development for implications for the public benefit entities.
006	Where there is overlap/duplication between the content of the IPSASB and IASB Framework (e.g. qualitative characteristics), we believe that the original text of the IASB document should be used, wherever possible. Further, where differences between the public and private sector are apparent, these differences could be minimised in the Exposure Draft if the IPSASB adopted the approach of modifying the IASB terminology. For example, by using the term 'resource providers' rather than 'existing and potential investors, lenders and	Noted – the Framework is not a convergence project. However, see comments above re IPSASB interaction and consideration of IASB Framework and developments.

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	other creditors', the differences between the IPSASB and IASB would be reduced with no loss of meaning. NSW Treasury also continues to encourage the IPSASB and IASB to work together on not-for-profit entity issues so that their Frameworks are consistent. It is noted that the IASB will be considering the application of the Framework to not-for-profit entities as part of Phase G of its Conceptual Framework project. Therefore, some of the IPSASB issues may be addressed as part of that process.	
011	We support the IPSASB's work in seeking to gain the views of its constituents in order to identify areas of difference between the public and private sectors. However, as developing a conceptual framework is not merely a matter of gaining information as to constituents' preferences, this exercise can only be seen as one part of the process of establishing this framework. In our opinion, a further essential step involves the alignment of ideas, where appropriate, between the IPSASB and the IASB, since deviations that are not founded on public sector specifics would only serve to "irritate" those users who deal with both sectors, including but not limited to those providing financial support such as financial institutions and suppliers. Indeed, the IDW has repeatedly encouraged the IASB to accelerate its own framework project in order to have a sound conceptual basis for private sector standard setting activities and would welcome further cooperation and coordination between the two boards in this context. In view of this, we are concerned that the IPSASB's timetable may be overly optimistic, as it would essentially mean that the IPSASB would complete the project independently – and thus likely ahead – of the IASB's conceptual framework project. Whilst we accept that, in view of the fact that there are significant differences between the public and private sector which need to be addressed, the IPSASB is not intending this to be a further conversion project as such, we nevertheless believe that at a conceptual level there are likely to be significant areas of common ground between the two sectors. It would therefore be inappropriate for the two Boards to independently come to different conclusions on matters of common ground. We therefore strongly believe that a mere monitoring of the IASB's own project may be insufficient, and suggest the respective frameworks be aligned in this area, except in areas where there are compelling arguments to the contrary. Indeed, without alignment of the conceptual frameworks, we do not see how the IPSASB will be able to fulfil its strategy to continue maintaining the alignment of IPSAS with IFRS where appropriate for the public sector as it has stated.	Noted – similar concerns have been raised by others. See staff comments above. IPSASB revisits its timetable at each meeting and notes IASB progress.
013	We believe that the Conceptual Framework should be as consistent as possible with the IASB's Conceptual Framework and its Practice Statement on Management Commentary.	Noted – similar concerns have been raised by others. Appendix 3A

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	Therefore, we would also welcome the publication by the IPSASB of any key differences between its Conceptual Framework and the IASB's material, with explanations for these differences. This would provide users of GPFRs prepared by public sector entities, particularly those more familiar with private sector practice, with a better understanding of public sector entity reporting.	identifies positions adopted in current IASB Framework. Consider in broader discussion of role, nature and placement of appendices
016	We consider that it would be unfortunate if the Conceptual Framework for public sector entities were to diverge markedly from that used in the private sector. We therefore emphasis the importance of the IPSASB and the IASB continuing to work closely together to minimise any differences between their projects on this subject, and to ensure that any significant differences are limited to issues where the differences are required by the different economic circumstances that prevail in each sector.	Noted – similar concerns have been raised by others. See staff comments above.
039	...we believe financial reporting standards should be as sector neutral as possible and that would mean IPSASB maintaining its admirable link to IASB's standards, focusing on public sector specific interpretations and adaptations as well as distinct public sector issues. Advantages of this approach include sector comparability, the ability to share good practice and for professional accountants to work across sectors. With this in mind, we would support the existing close working relations between IPSASB and IASB and would hope that these can be further strengthened in the future, to the mutual benefit of both boards.	Noted
044	*Notes in Introductory comments:* The Joint Accounting Bodies consider the completed conceptual frameworks of the IPSASB and the IASB/Financial Accounting Standards Board (FASB) will represent international best practice for entities of the public sector and the private for-profit sector1 respectively. However, the journey to completion is not proceeding contemporaneously. The IASB/FASB CF for Financial Reporting consists of issued chapters that articulate the objective of general purpose financial reporting, the qualitative characteristics of useful financial information and an exposed position on the reporting entity. The IPSASB CF ED 1 has a similar coverage. Different decisions may prove problematic for transaction neutral jurisdictions like Australia should jurisdictions choose to maintain the approach of one set of standards and at the same time ensure that international investors understand that the financial reports of for-profit entities accord with the International Financial Reporting Standards (IFRS). Therefore, where possible, we would like the outcomes of IPSASB CF ED 1 to mirror those of the completed chapters of the IASB/FASB project.	Noted – similar concerns have been raised by others. See staff comments above.
045	The Introduction to the framework indicates that this is not a convergence project but does not explain why references to the IASB framework and statistical bases are included in the appendices. The appendices may give the wrong impression about the influence they may	Noted - Consider in broad discussion of role, nature and

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	have in the development of the IPSASB framework. In lieu of the appendices, to properly reflect the relationship between the IPSASB framework and the IASB-FASB framework and the statistical bases, we recommend that links to the relevant documents (without IPSASB summarization) be provided in the "Project Development" section of the Introduction to the framework where the IASB framework and statistical bases of financial reporting are referred to.	placement of appendices
046	The AASB supports the IPSASB's development of a conceptual framework for public sector entities as a high priority project. The AASB considers it important that the IPSASB and IASB Conceptual Frameworks are complementary, where differences (if any) exist only to the extent warranted by differences in circumstances. This would support the development of International Public Sector Accounting Standards and International Financial Reporting Standards that differ (if at all) only where necessary to deal with different economic phenomena or with economic phenomena that are much more pervasive in one sector than the other. This approach is also likely to assist users of general purpose financial reports who read financial reports across all sectors in the economy. Such an outcome would foster the achievement of transaction neutrality, under which a given transaction or other event is accounted for the same way, regardless of the nature of the entity (whether for-profit or not-for-profit) and the sector in which the entity operates. The AASB considers that transaction neutrality is important for ensuring information reported by any entity is relevant, representationally faithful and comparable. The AASB encourages the IPSASB and IASB to work together as closely as possible to achieve complementary Conceptual Frameworks and, in the development process, to leverage off each other's work. In jurisdictions, such as Australia, that have a single Conceptual Framework for all reporting entities, complementary IPSASB and IASB Conceptual Frameworks would greatly assist with incorporating aspects of the IPSASB Conceptual Framework to address public-sector-specific issues.	Noted – similar concerns have been raised by others. See staff comments above.
	ACCRUALS BASIS OF ACCOUNTING	
013	We believe that the description of the accrual basis of accounting, on page 3 of the exposure draft, should be developed further by explaining what is meant by 'occurrence'. There may be descriptions of the accrual basis of accounting elsewhere which the IPSASB can draw on.	Point noted – revisit as Board considers positioning of accrual basis.

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	Of relevance to 'occurrence' are: • for revenue recognition, determining when the right to consideration arises; and • for the recognition of expenditure, the existence of an obligation. HoTARAC We would also welcome the inclusion within the accrual basis of accounting material on how the use of fair values impacts on the basis of accounting.	
020	...the requirement of the accrual basis should be stated in the Conceptual Framework, because the full benefits of potential adoption of the accrual basis is not often recognized in countries and jurisdictions in which the accrual basis has not been adopted....[*staff comment; provides an example of such an explanation]*	Noted –After considering alternatives, the Board decided on placement to reflect that Framework applies when accrual basis adopted, rather than to justify/promote accrual basis.
	ED " KEY CHARACTERISTICS OF THE PUBLIC SECTOR"	
003	HoTARAC recommends that the IPSASB include some discussion around the differences between the private sector and public sector, in terms of context, environment, legislation, main function, objective (i.e. not-for-profit) and funding sources to explain the reasons for a public sector specific Framework. Alternatively, a reference to the "Key Characteristics of the Public Sector" document once finalised would be useful. However, a minority of HoTARAC members considers that there is no need to include extra contextual background distinguishing between the private and public sectors.	Staff agrees with integration of Key Characteristics in the Framework – subject to responses to the ED. Board intends to consider placement/use of key characteristics document.
008	We were pleased to see the issuance of the IPSASB exposure draft on Key Characteristics of the Public Sector with Potential Implications for Financial Reporting and we believe the inclusion of such a discussion in a conceptual framework would support the specific objectives as well as introduce certain unique concepts that are discussed in more detail in this document.	Point noted –See comments above.
045	The key characteristics of the public sector are the primary reason that the IPSASB chose to do its own conceptual framework project rather than leveraging and converging with the evolving IASB-FASB private sector conceptual framework. Unique aspects of the public sector are mentioned in the Phase 1 ED but their implications are not simply and fully set out. The "Key Characteristics of the Public Sector" Exposure Draft approved by the IPSASB at its March 2011 meeting is a critical, overarching umbrella document that needs to be explicitly linked to all phases of the framework. It is important that Phase 1 content not be finalized until such cross-references are incorporated. The key characteristics	Point noted – Board intends to consider

R#	SECTION 1 (Role, Authority, Scope) – OTHER COMMENTS	STAFF COMMENT
	document should be the touchstone document in the CIA1 parts of the IPSASB's timetable for the conceptual framework.	
017	***Going concern basis*** A description of going concern should be specifically added to the conceptual framework of the IPSASs. In IPSAS 1, the interpretation of the going concern is expanded, by making additions to IAS 1" Presentation of Financial Statements" published by the IASB, in order to take into consideration the distinctive features of the public sector. Therefore, statements about going concern should be included in the conceptual framework, because a description of the distinctive features of the public sector is expanded in the IPSAS.	Noted – going concern is addressed in the ED "Key Characteristics of the public sector". Subject to Board deliberation will be linked to Framework by that mechanism.
017	***Meaning of public interest*** The meaning of public interest, as interpreted by the IPSASB, should be clearly defined. I believe that the regulatory framework within basis of capitalism, which is to increase people's wealth through the market system, is not only main area of public interest. The requirement to apply the IPSASs, to raise the transparency of the financial affairs of governments and global entities, has been significantly increased due to serious impact of the global financial crisis. Therefore, provision of information to taxpayers and the citizens of one's own country relating to governments' financial assistance to foreign governments and/or key financial institutions (IMF, World Bank, etc) is also in the public interest in the context of financial reporting, based on the IPSASs. The IASB's conceptual framework in 2010 directly focuses on resource providers. Although the IASB recognizes that there is an information requirement by users who do not directly provide resources, the IASB does not regard such users as being major users. Under these circumstances, it should be clarified how the IPSASB will pursue the public interest by overcoming the difference of linguistic, legal and economic conditions.	Pont noted. Staff agrees that IPSASB should continue to pursue public interest objectives through communication and implementation of the Framework and IPSASs. IFAC has recently issued a Policy Paper "Public Interest Framework for the Accountancy Profession" which is relevant to this matter.
009	***Editorial matters*** Re footnote to Para.1.6- The comments should be included in the body, not as footnotes.	Noted- consider in drafting review

SMC 2: Objectives of financial reporting by public sector entities and the primary users of GPFRs of public sector entities and their information needs

(a) The identification of accountability and decision making as the Objectives

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**27**	**64%**
(B) SUPPORT WITH RESERVATIONS	**5**	**12%**
(C) DO NOT SUPPORT	**10**	**24%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***42***	***100%***
(D) DID NOT COMMENT	**12**	
TOTAL	**54**	

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
001	A	We agree with the Framework's comments regarding the Objectives, Users and Information needs of users of GPFR..... the Framework might better refer to either the 'common information' needs of primary users, which are finite, rather than simply the 'needs', which are hard to define and probably infinite.	The Board has considered this and reviewed drafts with that wording, but felt it too restricting. Revisit in broad discussion of objectives.
002	D	*No specific comment on objectives but see comments on users and information needs.*	
003	B	HoTARAC **supports** the objective of the Framework. HoTARAC suggests that it could be very useful to include a definition of accountability, although recognises that it may be difficult to settle on one acceptable definition. However a minority's view is that it is not appropriate to define accountability in the Framework.	Noted. More extensive commentary of accountability was included in the CP. The Board may wish to revisit that commentary.
004	C	Agrees financial statements by public sector entities are used for accountability purposes.	Staff note focus on accountability
005	A	*No specific comment on objectives but notes support for ED and SMCs*	
006	B	NSW Treasury agrees with the IPSASB ED's view that accountability should feature in the definition or description of the objectives of financial reporting. Also, arguably, accountability should be a separate objective for both public and private sector entities. ... The current IASB Framework Basis for Conclusions discusses at BC1.24-BC1.28 the reasons why the IASB decided to describe what 'stewardship' encapsulates rather than using the actual term. The only relevant reference to what we would refer to as 'accountability' in the current IASB Framework is at the end of paragraph OB4, which states that: "Information about management's discharge of its responsibilities is also useful for decisions by existing investors, lenders and other creditors who have the right to vote	Noted. Staff agrees that information provided for accountability is useful for decision making, but is not convinced that this leads to a conclusion that the objective should be identified as only decision making.. Consider proposed wording as

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		on or otherwise influence management's actions". NSW Treasury believes that the exposure draft should clarify the link between accountability and decision-making; i.e. discharging accountability is realised by providing information useful for decision-making.	Board considers whether to include additional explanation/commentary of accountability.
007	A	It is agreed that the objectives should provide information that is useful to the users which support accountability and decision-making. However, extending the scope beyond financial statements, these objectives are to be applied in many areas of financial reporting of a government that may already be subject to certain objectives or guidance. Hence, it is not seen as appropriate that the conceptual framework of an accounting standards board should be the authoritative guidance in reporting outside of the financial statements.	Staff note-opposition to extending scope beyond financial statements reinforced here.
008	A	As noted above in General Comments, we believe it would be valuable to include here a discussion of the structural and operating differences that drive the differences in objectives for financial reporting, as was done in FASAB and GASB Concept Statements. While their standards address the unique elements of each broad type of public sector, we believe certain characteristics of all governmental entities (e.g., the significance of non-exchange transactions, focus on performance outcomes and the regulatory role of government, etc.) are fundamental to these objectives and should be addressed here. Such an introduction would allow for a better understanding of certain concepts introduced later on in the framework. Its omission was notable in our review of this document.	Noted - Board will consider role & placement of "key characteristics" ED which go to at least some of these matters as responses to that ED are considered. Revisit this comment at that time.
009	D		
010	A	Objective of the financial reporting by public sector organization is fairly straight forward and covers both the aspect of accountability and decision making.	
011	A	We agree with the proposed objectives.... We also believe that the subsequent discussion of the various users and their potential decisions in paragraphs 2.3- 2.6 is appropriate for the public sector and highlights differences to the private sector.	
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	A	We support the emphasis given to the objective of accountability included within the Conceptual Framework.	
014	B	It should be added that a legal requirement is also a possible reason for reporting and not only the existence of users. A unit has to report if users exist. But a legal requirement may also prescribe reporting, even if no users were to exist.	Noted - this comment goes to, and aligns with Board view on, identification of a reporting entity.

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
015	C	Usefulness of information is one of the fundamental ideas driving the conceptual framework. Islamic culture believes in full disclosure to satisfy any reasonable demand for information in accordance with the Sharia. Therefore, the idea of "useful information" might be irrelevant in Islamic accounting. In Western cultures, the focus is only on providing useful information. Useful information is determined with reference to what the public is seen to be interested in. This raises concerns about what is considered to be useful information and who is responsible for determining this. We question whether the IPSASB, with its headquarters in a country with a Western culture, should be responsible for determining what is defined to be useful information to countries with Islamic cultures, because of the fundamental culture differences.	Staff is of the view that objectives of information for accountability and decision making purposes respond to information useful to public and does not constrain disclosure of additional information. Staff will continue to monitor views/concerns regarding appropriateness of the Framework across a wide range of cultures.
016	A	We agree that the objectives of financial reporting for public sector entities should be to provide information which will assist in fulfilling accountability and be useful for decision-making purposes. However, we are of the view that not all information can fulfill both objectives equally well and that some information may be weighted more heavily towards one objective than the other e.g. accountability may be a more important objective for past events. Whilst decision usefulness may be more relevant for prospective information this is not to imply that the two objectives are mutually exclusive but the weighting of each objective may be dependent on the type of information provided. It is important to determine which objective is principally being addressed by different parts of financial reporting.	Noted, Staff agrees that while there is significant overlap of information needs - different types of information may be more useful to some users for certain purposes in certain circumstances and the Board will consider this as it develops guidance and IPSASs on specific projects.
017	D		
018	A	We also agree with the Objectives of Financial Reporting and Users of General Purpose Financial Reports in Section 2 except for the following. S*ee comments below on proposed additions to information needs and links to appendices,*	
019	D		
020	A	We agree with the view of the IPSASB.	
021	A	*Committee members*...agree with the objective of financial reporting, worded as "to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes". They note that it is the same objective as defined by IFRS, and they believe it is as proper in the context of public sector entities.	Staff notes that the wording of the IPSASB objectives differs from the wording of the IASB objectives.
022	A	*Supports the objectives as identified in par. 2.1. and notes:* In particular, it is important that IPSASB moves away from the much narrower objectives of economic decision-making by	

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		capital market participants expressed in the IASB conceptual framework. What is needed for public sector entities is a wider and holistic view of reporting, linking financial and non-financial results beneficial to a wide group of stakeholders.	
023	A	*Agrees with the objectives.* NAO also opines that the IPSASB, in preparing financial reporting standards, is to seek to provide information that will meet the needs of the maximum number of primary users.	Noted
024	D	*No specific comment on objectives but see comments on information needs.*	
025	A	We agree with the objectives of financial reporting by public sector entities.	
026	A	CNOCP agrees with the objectives...which are to account for and enable an assessment to be made of the way the public entity has carried out its mission, to assist with decision taking, and to enable the users of financial statements to make informed choices.	
027	D	*No specific comment on objectives but see comments on users.*	
028	C	...The objectives, as currently proposed, are two – accountability and decision usefulness – yet it is impossible to fully satisfy *both* objectives through GPFRs and GPFSs. Accountability can be satisfied through GPFRs and GPFSs, if a suitable understanding of accountability can be derived and operationalised. This will be *relevant* for decision making purposes but not directly *useful* for specific users' actual decisions. *Respondent notes this means* ...that the concentration is on finding out what information is required to make a public sector organisation accountable. This information will always be necessary for decision making but not necessary *and sufficient* for these purposes. In that sense there is actually no need for having a primary user in mind. It is *all* users who are interested in accountability information. The result of this is that if the CF is to be 'restricted' to GPFRs then it is only possible to have one, rather than two objective(s) for financial reporting vis accountability that is *relevant* for decision purposes but not *useful* as in the sense of satisfying the information needs and wants of every user. As a result the decision useful objective, as a separate objective, should be dropped. The primary and only objective should be accountability that is *relevant* for decision users....Concentration is then given only to involving these users in helping to define what constitutes accountability. I believe accepting that there is one (accountability) rather than two (accountability *and* decision usefulness) objective(s) has wide-ranging implications for the rest of the proposed CF. The concentration on GPFSs would involve a justification of these in terms of their	Staff agree that GPFRs are will not provide all the information necessary to satisfy these objectives. (paras BC1.10 and 2.26). However, staff is also of the view that information for accountability purposes will provide useful input for decision making purposes. The Board will consider and balance these needs as it develops IPSASs and other guidance. As noted above the CP and drafts of the ED included some additional commentary on this matter. Paras BC 1.10, 2.13, 2.26 were intended to go to these matters. The Board may wish to revisit those explanations if it is considered that they may help to clarify this matter.

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		ability to satisfy some aspects of the accountability objective. It would also encourage an urgency to move rather faster towards GPFRs to satisfy the other accountability elements. *Respondent also included as an attachment a paper he published in 2008 which further develops these views.*	
029	A	...FEE agrees with the objectives as set out in the Exposure Draft.	
030	B	The Treasury urges the IPSASB to clarify its position with respect to accountability and decision-making processes. ...while the term "accountability and decision-making purposes" is extensively used in the exposure draft, and a significant number of examples are provided, the Exposure Draft is notably silent of any discussion that differentiates between the two terms, and how the use of both ideas may affect the development of financial reporting, nor is there any material in the basis of conclusions that provides the reasoning behind the use of "accountability and decision-making purposes" terminology. This is unfortunate as it fails to acknowledge a significant debate within accounting literature. *Respondent then summarises key aspects of that debate and notes:* The Treasury supports the recognition of both decision-making and accountability purposes for accounting for the following reasons: • ...for the conceptual framework to be overarching and coherent, unifying the accounting system as a whole, both accountability and decision-making needs to be addressed. • We regard the concepts as being complementary rather than in being in competition... • We regard both accountability and decision-making as broad concepts. .... *The response includes explanation and elaboration of these views and notes:* Given the lack of information in the Exposure Draft and the Basis of Conclusions, the Treasury is unsure the degree to which those views are shared by the IPSASB. A different rationale could lead to IPSAS taking different directions but it is not possible to determine such a direction from the proposals. *The response also notes that others could take a different view and consequently:* "...urges the IPSASB to clarify its position with respect to accountability and decision-making processes. We suggest in particular, that the IPSASB may wish to consider including the ideas in the three bullets above in its basis of conclusions."	Staff is of the view that for the most part the views of this respondent and the IPSASB align. The issue is whether additional explanation is required for the Framework itself. Consider proposed wording as Board considers whether to include additional explanation/commentary of accountability.
031	A	Generally, we are in agreement with the views and positions expressed in the exposure draft. The objectives,...are for the most part consistent with Canadian public sector	

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		standards.	
032	D	*No specific comment on objectives but see comments on user.*	
033	C	The province supports the exposure draft objective of providing information about the entity that is useful to the users of (GPFS) for accountability purposes but thinks that the ability of the financial statements to support decision making is limited.	Noted - see comments on users where arguments developed further.
034	A	CIPFA agrees with the objectives as set out in the Exposure Draft.	
035	A	Agree. *[Staff comment: see also scope and users where concerns about interaction of these proposals are identified.]*	
036	A	...We fully support that Accountability and Decision-usefulness should form part of the objectives of financial reporting, financial reporting should be determined by reference to the users of GPFRs, and their information needs. Users of financial statements will require information for accountability purposes and as input for making decisions.	
037	C	Nova Scotia feels the objectives of financial reporting are appropriate as concepts however the application of the concepts are viewed as being too broad for the conceptual framework. The key issue remains the expansion of the scope into all general purpose financial reporting including "non-financial quantitative and qualitative information", without restriction. The objectives seem to build on the frameworks attempt to be all things to all users who otherwise are not able to compel government to provide information. This stance as it would relate to financial statements would be considered too broad; however, when broadening the reporting to include non-financial quantitative and qualitative information takes this scope beyond reason.	Noted - concern about implications of broad scope is raised by others at different points in their responses. Consider in context of broad discussion of scope and consequences.
038	A	We agree with the objectives and primary uses as outlined in the ED if the ultimate decision is that IPSASB is to provide standards for General Purpose Financial Reports (GPFR) beyond just financial statements. However, as noted above, we believe that the focus of the Conceptual Framework should be on financial statements.	
039	A	We agree that financial reporting is not an end in itself. Its purpose, as the Exposure Draft rightly notes, is to provide information about the entity that is useful to users of GPFRs for accountability and decision-making purposes. In this regard, we see no difference between the objectives of GPFRs of public, not-for-profit and private sector entities. The three sectors exist and operate within the same economy and, as such, need to be held accountable for their use of resources by providing	

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		general purpose financial information that enables users of GPFRs to make a wide range of decisions.	
040	A	We agree.	
041	C	The overarching objective of financial reporting should be to provide the primary users of financial reports with decision-useful information comprising both: (a) information regarding the stewardship of an entity's management to hold management accountable; and (b) information for making resource allocation decisions. We agree that information for accountability purposes is an important component of the information that should be provided in financial reports. However, we consider that there is no point in reporting information to discharge accountability if that information is not also decision-useful. We are concerned that having accountability as a separate objective could inadvertently broaden the boundaries of financial reporting. There are many forms of reporting in which entities demonstrate their accountability for the use or preservation of resources. The question that the Framework needs to address is what types of accountability information have a legitimate place in general purpose financial reports.	Noted. Similar views are also expressed by others. It does go to the Board's view of the obligation of public sector to be accountable to citizens and others, including those with limited capacity to make decisions based on information provided in GPFRs issued on an annual or more or less frequent basis.
042	A	In my opinion, inadequate recognition is given to the institutional context in which governments operate. I have included an example of a - in my opinion - fruitful approach - confined to the US -, included in FASAB Statement of Federal Financial Accounting Concepts 1: *…..”71.It may be said that "accountability" and its corollary, "decision usefulness," comprise the two fundamental values of governmental accounting and financial reporting…..”*	Noted – staff anticipate that linkages to the key characteristics ED will respond to at least some of these concerns.
043	D		
044	B	The IPSASB CF ED 1 paragraph 1.3 states "...GPFRs are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.... The Joint Accounting Bodies support this statement. We are aware of the importance of accountability for the entities of the public sector and the acquittal of funds is often the main reason for their financial reporting. The IPSASB CF ED 1 paragraph 2.1 states, "The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes." In contrast, the IASB/FASB Conceptual Framework for Financial Reporting Chapter 1	As noted above, it does go to the Board's view an appropriate reflection of the obligations of public sector entity to be accountable and to provide information for decision making.

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		does not make this distinction explicit - rather, the objective of financial reporting is usefulness in making decisions. The IASB/FASB noted at paragraph BC1.28 to Chapter 1 of its conceptual framework that by describing what stewardship encapsulates, the decision-making objective of financial reporting acknowledges that users make resource allocation decisions alongside decisions about management's efficient and effective use of the resources provided. The Joint Accounting Bodies while not particularly opposed to the approach of the IPSASB, question its necessity and prefer the distinction not be made.	
045	C	The case for accountability as an overriding objective for public sector financial reporting must be made and it must be made strongly. Accountability must be described, its importance explained and supported and its implications for public sector financial reporting set out for scrutiny. The text of CF-ED1 does not do this now. Yet the inclusion of compelling text on accountability is fundamental to crafting a conceptual framework that is tailored to the needs of the users of public sector financial reports. A similar weakness downplays accountability in the current Canadian framework and it will be addressed in PSAB's current project, *Concepts Underlying Financial Performance*. Accountability is greater than stewardship. Accountability is the obligation of a public sector entity to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for and stewardship of, public money and other entrusted public resources.	Noted. Similar views are also expressed by others. See staff comments above.
046	C	The AASB agrees that discharging accountability is a key role of general purpose financial reporting by public sector entities, and for reporting entities more broadly. However, the AASB considers accountability can more usefully be viewed as a means of facilitating resource allocation decisions, and therefore does not support identifying accountability as a separate objective. Put another way, members of the legislature and other interested users who commonly use general purpose financial reports of public sector entities are positioned to make decisions on the information presented for accountability purposes. Such decisions may lead to a debate or commentary on a particular government programme and its performance or, alternatively, decisions may lead to users taking no further action in the light of the information presented. The AASB considers such an approach would work well and allow consistent objectives to be adopted by both global standard-setting boards. In this context, the AASB recommends the IPSASB Conceptual Framework identifies a single objective of general purpose financial reporting, namely, to provide information useful for decision making by users of general purpose financial reports; and, in support of	Noted. Similar views are also expressed by others. See staff comments above. Consider in the broad discuss of the objectives and further explanation of accountability.

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
		that position:(a) defines 'accountability' as being encompassed by decision making; and (b) includes a more comprehensive description of decision making, which should include influencing the reporting entity's resource allocation decisions...[*Staff comment: The response includes explanation of, and further develops, these views, including the following:* (a)… Although the ED's guidance usefully identifies voting and lobbying decisions as examples of decision making, it does not specifically describe 'decision making'. The AASB recommends elaborating on the nature or types of decisions encompassed by the references to 'decision making'; and (b) in meeting (a), the discussion of decision making should refer to 'evaluating past decisions'. Information useful for such evaluations would possess confirmatory value. Including this guidance would strengthen the link between decision making and accountability. This could help address concerns that some users, such as recipients of services, do not make decisions about allocating resources to the entity. Even if a user of a general purpose financial report takes no action as a result of evaluating past decisions, this reflects the user's decision not to act.	
047	A	We approve the objectives assigned by the ED to financial reporting in the public sector, which are to provide useful information to the users that enable them to assess the performance of the entity and to make decision in an enlightened way. Determining the objectives of financial reporting in reference to the needs of the users of financial reporting seems relevant to us.	
048	C	The case for accountability as an overriding objective for public sector financial reporting must be made and it must be made strongly. Accountability must be described, its importance explained and supported and its implications for public sector financial reporting set out for scrutiny. The text of CF-ED1 does not do this now. Yet the inclusion of compelling text on accountability is fundamental to crafting a conceptual framework that is tailored to the needs of the users of public sector financial reports.... *[The response includes explanation of, and further develops, these views.]*	Noted. Similar views are also expressed by others. See staff comments above.
049	D	*No comments specifically on the objectives of accountability and decision making but see comments on users and information needs.*	
050	D	*No comments specifically on the objectives of accountability and decision making see comments on users and information needs.*	

R#	CATE-GORY	SMC 2(a) COMMENTS ON THE IDENTIFICATION OF ACCOUNTABILITY AND DECISION MAKING AS THE OBJECTIVES	STAFF COMMENT
051	D	*No comments specifically on the objectives of accountability and decision making but notes should respond to circumstances of different countries and integrate with audit.*	
052	A	We agree with the objectives of financial reporting as being the reporting of information that is useful for accountability and decision-making.	
053	D	*No comments specifically on the objectives*	
054	C	We agree ...that the objective of GPFS is to provide information to the users. The primary purpose of the information is to: Evaluate the government's management of its financial resources in the accounting period; and Assess whether the resources were managed within the legislated limits. To some extent the information from GPFR can be useful for making decisions about the effectiveness and efficiency of service delivery and future resource allocations. However this should not be included as an objective of GPFS. The overriding objective objectives of GPFS should be grounded in providing information to users on the accountability of the government.	Noted. Similar views are also expressed by others. See staff comments above. Staff notes the focus of this response on financial statements, consistent with views about the scope.

SMC 2: Objectives of financial reporting by public sector entities and the primary users of GPFRs of public sector entities and their information needs

(b) The identity of Primary Users as Service Recipients and Resource Providers

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**21**	**48%**
(B) SUPPORT WITH RESERVATIONS	**7**	**16%**
(C) DO NOT SUPPORT	**16**	**36%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***44***	***100%***
(D) DID NOT COMMENT	**10**	
TOTAL	**54**	

R#	CATE-GORY	SMC 2(b) COMMENTS ON THE IDENTITY OF THE PRIMARY USERS	STAFF COMMENT
001	A	We agree with the Framework's comments regarding the Objectives, Users and Information needs of users of GPFR.	Noted.
002	C	ACAG does not find the distinction between 'primary users' and 'parties which may find GPFR information useful' helpful. This notion seems to contradict the overall principles that the objectives of GPFRs are intended to meet the needs of 'users'. Further, such a distinction is likely to cause confusion and differing interpretations. *Notes the findings of the 'the Federal Government Reporting Study' 1986 included...* the importance of the intermediary role played by the media and analysts. It was found that a large portion of users, such as citizens and legislators, rely on information disseminated by the media and analysts to make decisions. As a result, the study notes that 'Federal government financial reports will serve the needs of legislators, citizens and corporations well only if the needs of the media and analysts are adequately met'. ACAG recommends greater acknowledgement of the importance of this intermediary relationship within the proposed conceptual framework. For example, ACAG finds the discussion of the legislature and its members somewhat confusing. The legislature itself is said to be a primary user (paragraph 2.4), despite the fact that many legislatures possess the authority to require disclosure of information for accountability and disclosure purposes. Sub-committees of the legislature are included among those who are not primary users (paragraph 2.6). If the differentiation of primary users is retained, explicitly regarding the legislature and its sub-committees as representatives of primary users, rather than primary users themselves, would seem to resolve this confusion.	Noted - The Board's intention was to provide a sharper focus to enable an assessment of objectives and information needs. GPFRs would then respond to the needs of citizens, the public and other users dependant on GPFRS for information for accountability and decision making purposes. While the media are important users of GPFRs, they may have information needs that differ from, for example, citizens as service recipients and resource providers. GPFRs are not prepared primarily to meet the specific information needs of the media that may be additional to or different from citizens/public. Staff view is that drafting review to clarify this point may be useful.

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003	B	HoTARAC broadly **agrees** with the users identified and their information needs. HoTARAC acknowledges that the primary users included in the Framework are consistent with its previous comments on the consultation paper, noting that "recipients of goods and services" would be a more appropriate term than "recipients of services". However, there are mixed views with regards to the identification of 'primary users' of GPFRs: • One view is that the primary user group should only include resource providers; • Another one is that given the breadth of scope of primary users, there is no merit in distinguishing between primary users and users more broadly. Further, there is some concerns that if the focus is on primary users some information used by 'secondary ' users, for example detailed balance sheet information, may not be provided. HoTARAC also reiterates its previous remark that "stewardship and accountability are two distinct concepts and the IPSASB should discuss the stewardship of resources separately from accountability", noting that the IASB Framework no longer includes 'accountability' or 'stewardship' because the IASB equates 'accountability' with 'stewardship'(IASB Framework September 2010).	Noted – similar views also expressed by others. See staff comments above on Board intention re identification of primary users. Point re elaboration of accountability and discussion of stewardship noted.
004	C	Ontario views the primary users of a government's financial reports as "the general public", without further delineating between service recipients and resource providers. We consider: • this creates conflicting objectives and accountability issues for government because these roles have different interests and reporting needs not satisfied by historical financial statements; • the segregation of the primary user diminishes the importance of the collective group being the public (and the legislature working on their behalf); • it introduces additional complexity into the standard setting process to accommodate needs beyond what the general public needs from GPFS; and, • a development of a level of consensus and voluntary compliance is necessary before a codification of a framework or standards can exist that can meet the needs of resource providers and service recipients. Ontario believes that in a democracy all citizens have a right to access financial information about the government's fiscal policy decisions, and that the preparation and	Noted – similar views also expressed by others with some identifying citizens as the primary users. See staff comments above on Board intention re identification of service recipient and resource provider as mechanism to provide sharper focus for identification of objectives and user information needs.

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		presentation of such financial information should be geared to meeting the information needs of a "reasonable user". As a service recipient or resource provider, GPFS would unlikely address the level of detail these specific types of individuals may desire. ... suggest that the IPSASB consider adopting a simple description of the primary users as "the public and their representatives" for purposes of its conceptual framework.	
005	A	*No specific comment on users but response notes overall support for the ED and SMCs.*	
006	C	Refer to Paragraph 2.4. NSW Treasury believes the primary user group should exclude 'service recipients and their representatives', as we do not believe that the primary purpose of the financial report is to address customer needs (in the public or private sectors). However, there is minimal impact of excluding this group because, in the public sector context, most, if not all, customers are also resource providers, as potential taxpayers. A possible approach is to identify 'resource providers' as the primary user group, which would represent the public sector equivalent to the IASB's primary user group of 'existing and potential investors, lenders and other creditors'. The advantage of this approach is that it would promote convergence with the IASB's Framework.	Staff agrees with that many service recipients will also be resource providers. Board's intention was to acknowledge, and enable consideration of, information that service recipients may need for accountability and decision making purposes.
007	C	... it is questioned as to why it is necessary to split the public into two groups: service recipients and resource providers. The proposal to include the legislature (or similar body) in the capacity as representatives of the interests of service recipients and resource providers is similar to the concept within the current PSAB conceptual framework. It is understood that the public does receive services and are resource providers as well as the beneficial owners of public money; however, tailoring this group into components with different information needs is not seen as necessary in relation to preparing general purpose financial statements and therefore is not supported.	Noted – similar views also expressed by others. See staff comments above on Board intention re identification of primary users.
008	A	We support the deliberate classification by IPSASB of the users of GPFRs as "service recipients and their representatives" and "resource providers and their representatives". Both constituencies should be considered in public sector financial reporting but this grouping better highlights the differences in their information needs.	Noted.
009	D		
010	A	Definition of Primary Users of General Purpose Financial Reports (GPFRs) and description their information need is broad enough to encompass all the possible stakeholders and their required information relating to a Public Sector Organization.	

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011	A	...agree that a wide definition of primary users is appropriate in a public sector context. However, as we noted in our previous letter, their information needs are likely to be diverse. This is one area in which there is likely to be significant common ground with the private sector, for example, those providing external funding such as banks but also suppliers will have very similar, if not identical information needs in this capacity, which, in turn, means that qualitative characteristics such as the relevance of information may be equally important to them; the same is likely to apply to certain other users.	Noted – agree.
012	B	*Notes agreement with the response from FEE (see Response 29) and adds* ...we assume that control bodies such as the court of auditors are included in "Other Parties" (See Preliminary View 3) without being mentioned explicitly. These institutions are significant users of GPFRs on behalf of the citizens and their information needs differ from other parties, e.g. analysts. Therefore, in our view, the "resource providers or their representatives" and the "other parties" might need to be specified in more detail in order to define relevant, clearly identifiable potential users of GPFRs for public sector entities that share common information needs. Being aware of the different users of financial reporting is crucial for the discussion of the qualitative characteristics of information included in GPFRs.	Noted – paragraph 2.6 was intended to acknowledge that a other parties, including those identified here, may also use GPFRs
013	A	We also support the identification of a primary user group within the Conceptual Framework and support the definition of primary users as service recipients and their representatives and resource providers and their representatives.	
014	D	*No specific comment on users but advocates additional explanation of the terms "services and resources"*	Noted consider in drafting review
015	C	15(b) the authors are of the belief that financial information should primarily be prepared for the government, specifically the executive branch and cabinet ministers, and resource providers. It is agreed that resource providers should be classified as primary users of financial information in public sector reporting.... Finally, the view that service recipients should be a primary user of financial information in public sector reporting is not supported by the authors. Service recipients experience the operations of a public sector entity first-hand and do not necessarily require public sector reports to understand the body's financial performance.	Noted – Board's view is that GPFRs should respond to the information needs of those that do not have the authority to require the preparation of financial reports to meet their specific needs. Staff is uncomfortable on refocusing to users not dependent on GPFRs
016	A	We agree that the users of GPFRs are service recipients and resource providers and therefore citizens should be considered to be primary users. Whilst it would obviously never be possible to produce GPFRs that every citizen could easily understand, we agree	Noted.

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		that citizens are informed by their representatives and others such as the media and therefore GPFRs should be produced to address these needs.	
017	D		
018	C	For government financial statements, we believe that the primary users are citizens (and their elected representatives). A government's accountability to their citizens is the fundamental basis for democracy. Tax payers may provide the bulk of the revenue for governments to fund services for their service recipients, but neither of these two groups of stakeholders can hold a government to account without adequate financial information. Financial statements are the way that governments are held to account, ultimately in the ballot box, for the management of their finances."	Noted – similar views also expressed by others. However, staff is not convinced that this view is in fact contrary in substance to Board's designation of users. See staff comments above on Board intention re identification of primary users.
019	D		
020	A	We agree with the view of the IPSASB.	
021	C	They *(Staff comment: "they" are members that are preparers and auditors*) agree that the primary user of financial statements is the public (citizens, electors or their representatives) as the public sector entities are primarily accountable to the citizens or the representatives acting on behalf of citizens. This is not the case of financial information other than F/S. In fact, the primary user of the information other than F/S can sometimes be the public but not always. It depends on the type of information produced. They believe that it is unlikely that a general framework can respond to the information needs of all users because those needs are not the same for all of them. Therefore, they think that identifying users of F/S and users of information other than F/S with related separate framework could ease identifying main users, goals and objectives of the information provided.	Noted – staff agree that GPFRs are unlikely to respond to needs of all users, hence the intention to provide a sharper focus on information needs. Point re dual Frameworks noted-also under scope.
022	A	I support a view that Service Recipients (& representatives) and Resource Providers (& representatives) are primary users of public sector GPFRs. I think that these two groups of primary users are sufficient to encompass many different types of users, including members of legislative bodies. I referred in my comments on the CP to providers or commissioners of services being users but, again, I think they do so as primarily as representatives of service recipients or resource providers.	Noted – agree observations re representatives as encompassing range of users.
023	A	NAO agrees that the primary users of GPFRs are service recipients and resource providers. GPFRs should therefore be prepared to respond to the needs of these users for	Noted.

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		accountability and decision-making purposes. NAO further agrees that GPFRs may also provide information useful to other parties and for other purposes.	
024	D	*No specific comment on users but see comments on information needs.*	
025	A	We agree with the primary users of GPFRs of public sector entities and their information needs as set out in the Exposure Draft.	
026	B	The CNOCP agrees with the IPSAS Board that service recipients and resource providers and their representatives are the primary user group for which the financial statements are intended. The CNOCP strongly supports the inclusion of service recipients in the primary user group. Indeed, this is the approach adopted in France, particularly for Central Government... The CNOCP fully agrees with the choice of the IPSAS Board in the exposure draft not to establish a hierarchy of primary users of the financial statements. However, the CNOCP proposes that the notions of citizen and Parliament should be given more emphasis in the future Conceptual Framework, even though the CNOCP recognizes that these notions are already included in the primary user group made up of service recipients covered by the exposure draft. ... CNOCP regrets that the notion of citizen, included in the notion of service recipients, is only considered from the point of view of customers (service recipients), and suppliers (resource providers), when citizens form first and foremost the electorate represented by the members of Parliament, who approve the annual budget and the financial accounts. ...CNOCP would like to point out that the notion of primary user is fundamental, as it determines the nature and objectives of the financial statements. It also has an effect on the Conceptual Framework and the concepts which are ultimately selected. It seems reasonable to think that clear, understandable information which is readily comparable to budget data will satisfy users' needs. In this respect, the revenue and expense-led approach appears the most suitable although this approach must enable recognition of the elements of net assets in the balance sheet.	Noted – similar views also expressed by others. However, staff is not convinced that this view is in fact contrary in substance to Board's designation of users – but further clarification of Board view may be useful. See staff comments above on Board intention re identification of primary users The Board had intended that this was a mechanism to sharpen focus on the information needs of citizens – that is citizens provide the resources and many citizens benefit from services. Governments should be accountable to citizens and others in this capacity and provide information useful for decision making.
027	C	... Although citizens (quite rightly so) have been identified as the primary users of financial statements, we are concerned that the Exposure Draft is only reflecting on them as service users. As a result the Exposure Draft fails to capture wider accountability to the public/citizens as a whole for ensuring that their taxes are spent wisely and represent value for money. In our view this section is confusing and would benefit from some clarification.	Noted. However, citizens may be both resource providers and service recipients. This was the intent of para 2.5 and BC2.6. Staff proposes review re whether further

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		Also, we have concerns that the Exposure Draft underplays the importance of the role of the Legislature as a primary user of financial statements. In our experience Parliament is the most engaged user of financial statements and its engagement is critical for accountability of the stewardship of public funds. The Exposure Draft gives inadequate recognition to the institutional context in which governments operate and the role of Parliament in ensuring accountability...	clarification necessary. Point re legislature as an important user noted, albeit it has certain authority to demand information it requires.
028	C	*Notes that* "...In that sense there is actually no need for having a primary user in mind...."	See comments on objectives where relationship of users, objectives and scope is developed.
029	B	...FEE still has reservations about the designation of primary users and the specific treatment of the legislature as a primary user. In our view, inadequate recognition is given to the institutional context in which governments operate, and the responsibilities which they exercise on behalf of citizens, without particular regard to whether those citizens are electors, service recipients or resource providers. ...we would note that the legislature is both a primary user and one of the most engaged users of GFPRs. We agree with the IPSASB view that governments should only be considered as primary users of GFPRs while acting as representatives of other primary users, but consider that it is inadequate to characterise them only as representatives of service recipients and/or resource providers without further explanation. In a democratic society, the principal line of accountability is from public sector entities to representative bodies, and from representative bodies to citizens. We note that the Basis for Conclusions discusses the position of Citizens (BC2.6) and the Legislature (BC2.8-9) as Primary Users, concluding that these fit within the proposals in the Exposure Draft by virtue of equating Citizens with Service Recipients and/or Resource Providers. While we understand the overlaps between the various user categories, we are concerned that, for example, conceiving of citizens while only reflecting on them being service recipients may not fully capture all relevant aspects of accountability. Having said this, we find it quite difficult to conceive of user information needs for citizens, within the context of GFPRs, where there is a significant difference to the needs of service recipients or resource providers. The Exposure Draft may therefore get to the right result. We would however suggest that it would be better to achieve this with a more complete explanation, explicitly noting the IPSASB view that a recipient/provider perspective is expected to be close enough in most circumstances.	Noted – similar views also expressed by others. See staff comments above. Context point noted – consider in context of review of responses to, and disposition of, "key characteristics" ED. Paragraphs 2.5 and BC2.6. intended to reflect that citizens may be both resource providers and service recipients. Staff proposes review drafting to clarify explanation.

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030	A	The conceptual framework proposes that general purpose financial reports serve accountability and decision-making purposes of primarily resource providers and service recipients. The Treasury agrees with this but suggests that the conceptual framework does not sufficiently link that overarching statement with the discussion on the content of financial reports.	Noted. See comments on scope where respondent proposes mechanism to strengthen link.
031	A	*No specific comment on users but in overall comments notes:* Generally, we are in agreement with the views and positions expressed in the exposure draft.	However, respondent notes substantial concerns about scope.
032	C	In Denmark the primary recipients of the GPFR are defined as the ministries, the treasury and The Audit of the State Account. In Denmark the Audit refers directly to the parliament, and represents their interests. The Danish view is, that the GPFR should primarily focus on recipients within the government and legislature (parliament). In a democracy the governmental agencies/institutions are primarily accountable to legislature, which represents both the service recipients and the resource providers in general. *Notes in introductory comments*: "Our argument is that GPRS's are mainly used for decision making and citizens mostly have low or no use of GPRS's."	Noted – some others have also identified the legislature and audit agencies as primary users, together with, in many cases, citizens as primary users. See comments above
033	C	...Bifurcating the accountability creates a tension between the information needs of each group to the extent there needs are different. The province does not support this bifurcation of the users for the following reasons: • ... in a democratic society the government represents all the people and all citizens enjoy equal rights and privileges therefore government general purpose financial statements should not be attempting to treat any information needs as specific or "unique", (*notes role of special purpose financial information can be supplied for special purpose needs*), • The majority of citizens are both recipients of some government services and providers of some resources. *Explains that classification of a citizen as one or the other may change over their lifetime and notes*...General purpose financial statements should meet the needs of all citizens regardless of what stage in their life they happen to be at or whether they happen to be a net recipient or a net contributor of resources at the end of any particular fiscal year, • A focus on either recipients or contributors requires consideration of what are the specific or unique needs of each group and do these group's information needs overlap. *Also notes ED refers to subgroups within each major category and considers extent to which the needs of these subgroups should be addressed*. At some point it becomes necessary to	Noted – similar views also expressed by others. See staff comments above. Board intent to provide a sharper focus as basis for determining the information needs of citizens and the public.

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		consider (a) whether one group (possibly representing a minority of the total population) of stakeholder's rights and privileges is being favored over others and (b) whether the resulting general purpose financial information is shifting toward special purpose financial information. Under the above model recipients of services and providers of resources are the same people who may be either a net recipient or a net contributor at different points in time. Their interest in and their need for financial statements would be the same at all points of time even if their perspective may be different at any point in time.	
034	A	*No specific comment on primary users but in response to SMC broadly notes:* CIPFA agrees with the objectives as set out in the Exposure Draft.	
035	B	Agree. [*Staff comment: However, Respondent expresses concern that it is not practical to present information about service performance and achievements to meet the needs of multiple groups of users.]*. The Task Force understands the rationale behind the proposed view that objective of financial reporting by public sector entities is to provide information about the entity that meets needs of users of GPFRs.... The discussion on the needs of service recipients is based on the assumption that service recipients are taxpayers and citizens, which is a concept applicable to governments rather than to public sector entities. Most services provided by governments are long-term, recurring or perpetual in nature and target the same significant groups of service recipients. GPFRs of governments are, therefore, better positioned to present additional information about the achievement of financial and service delivery objectives and anticipated future service delivery activities of governments to meet needs of these users at reasonable cost as compared to benefit. The United Nations System organizations provide a wide range of services which are often delivered to relatively small groups of recipients in a specific region. Many services include one-time projects and/or projects of limited duration. As a result, their individual impact on overall financial performance and programme delivery results of an organization might not be significant. Therefore, it might become impractical for United Nations System organizations to attempt to present information on achievement of service delivery objectives and future service delivery activities in their GPFRs to meet needs of multiple groups of users of said reports.	Staff agrees with this concern. But are of the view that this would be dealt with at the standards/guidance level, where applicability and the impact of QCs and constraints would be considered.
036	A	We also do agree with the proposed primary users of GPFRs of pubic sector entities and their information needs.	
037	B	The concept underlying who the main users of general purpose financial statements we	Staff is of the view that the

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		agree with and quite like. We feel primary users could be more precisely defined to include the citizens and residents of the respective jurisdiction, and their lack of authority to require certain key information would be the rationale supporting their elevated status as the "primary" user group. We do however view lenders as having the authority to require information and in this regard we would suggest a tightening of the definition (while lenders may not have legal authority they do have the ability to require specific key information to support there lending decision). The benefit this provides is a more clear direction as to who the target audience is for the general purpose financial statements. *Respondent also expresses a concern about relationship of users to reporting entity:* One very significant issue is the open ended nature as to what the reporting entity is. The reporting entity is able to fluctuate based on the particular interest or need of a specific user group. The issue being, among the "primary users" if this is not more precisely defined, there could be multiple sub-groups requiring very different reporting (not only in entity composition but in detail). Governments offer so many public services and there are so many interest groups we cannot imagine the full extent of applying this conceptual framework....	sharpening of focus is not contrary to the substance of the Board's view, if lenders do have the authority to demand the information they require. Staff will consider further, particularly in respect of implications for public sector entities other than governments, including multi-national public sector entities. Staff had anticipated that the acknowledgement in section 4 that the Framework does not specify which organizations or activities should be designated as a reporting entity would over come some of these concerns.
038	A	In the context of financial statement users, we believe that the primary users are both service recipients and resource providers. Although certain resource providers, such as debt holders, do look to the monthly accrual-based financial report, the annual Budget, Economic Updates, the annual Debt Management Report, and reported cash balances as primary sources of information for decision making purposes, others, such as taxpayers would look to the financial statements of a government to assess its continued solvency and the impact on future tax requirements. Service recipients use the government's financial statements for accountability and stewardship purposes to understand what taxes and fees were earned and how the related funds were disbursed in the fiscal year. By identifying service recipients and resource providers as the key users of financial statements, IPSASB will be able to ensure that standards and related disclosures are developed to ensure these key constituents have the information required to evaluate government performance and solvency.	Noted. – Note also observations re use by other potential users.
039	A	... we agree in principle that primary users are those who do not have the authority, or are otherwise unable, to demand financial reports that are tailored to their own specific requirements. We would ask IPSASB to consider if there is a jurisdictional issue here-would the definition mean that users of, say, overseas aid have a legitimate interest in the	Point taken. As service recipients they would/are likely to be dependant on GPFRs for their info needs and in that sense have an interest in GPFRs of donor

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		accounts of donor countries and, if so, would that be appropriate? We agree that the primary users of GPFRs of public sector entities are service recipients and their representatives and resource providers and their representatives. Public sector entities provide a wide range of services on behalf of citizens and other individuals, groups or legal entities to which they have responsibilities and obligations. The resources that are needed to deliver these services are provided by individuals, groups or legal entities on either a voluntary (in the case of contractual relationships) or involuntary (in the case of taxation) basis. It is to these users that public sector GPFRs are rightly aimed, and it is their information needs that should dictate what is provided in GPFRs in order for them to be used for accountability and decision-making purposes. We also particularly welcome the acknowledgement of the essential roles that representatives of service recipients and resource providers play. Obviously, representatives in legislative bodies play a very important role in holding public sector entities to account, but this is also true of wider representative bodies found within civil society.	countries. Whether, the general purpose nature of GPFRSs would provide information to respond to their specific information needs is another question.
040	A	We agree. Financial statements must meet the needs of the broadest possible range of users to properly support their general purpose. In this regard, the IPSASB document makes clear who the resource providers and the service recipients are.	
041	D	*No specific comment on primary users but see comments on objectives.*	
042	C	In my opinion inadequate recognition is given to the institutional context in which governments operate. For an adequate reflection, use might be made of the description of public sector accountability relations included in chapter 2 of the attached IFAC document. The main point I want to make is that, in a democratic society, the accountability of public sector entities to -ultimately - democratically elected bodies (like parliament, the legislature) is of fundamental importance. Therefore, the legislature and parliament are not just important addressees in their capacity as representatives of service recipients and resource providers, but more generally as representatives of citizens, responsible for the vital tasks entrusted to them. In a democratic society, the principal line of accountability is from public sector entities to representative bodies, and from representative bodies to citizens. I have included *(as attachment)* an example of a-in my opinion, fruitful approach-confined to the US-included in FASAB Statement of Federal Financial Accounting Concepts 1.	Noted – similar views also expressed by others. See staff comments above. As noted above, (see comments under objectives) staff anticipates that linkages to the key characteristics ED will respond to at least some of these concerns but agree should revisit this matter as key characteristics considered.

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043	D	*No specific comment on users*	
044	A	The Joint Accounting Bodies note that the IASB/FASB opined "...without a defined group of primary users, the Conceptual Framework would risk becoming unduly abstract or vague." (IASB/FASB Conceptual Framework for Financial Reporting Chapter 1, The Objective of General Purpose Financial Reporting, paragraph SC1.14). We concur. Accordingly, we support the IPSASB proposal to identify primary users of GPFRs as service recipients and their representatives and resource providers and their representatives.	
045	A	Yes with two provisos. *[See comments under objectives re accountability and under user needs re "matrix"]*	
046	C	In the absence of the IASB's revised Conceptual Framework having identified 'primary' users of general purpose financial reports, the AASB would not support the proposed identification of 'primary' users of general purpose financial reports in the IPSASB Conceptual Framework. In respect of both the IASB and IPSASB Conceptual Frameworks, the AASB is concerned that, although it is useful to consider categories of users to help identify users' common information needs, identifying 'primary' users may inappropriately imply the needs of some users should be disregarded. Nevertheless, the AASB considers there is no apparent public-sector-specific reason for the IPSASB's Conceptual Framework to differ from the revised IASB Conceptual Framework on this issue. ... The AASB recommends that, if the IPSASB were to retain its proposal to identify 'primary' users, such users should include, among others, all parties performing a review or oversight function on behalf of other users. The AASB considers it inconsistent to identify as primary users parties performing a representative (review or oversight) function on behalf of other primary users, but only when they are legislators/parliamentarians.	Noted – concerns re the designation of a primary user group also expressed by others. See staff comments above. Staff does not believe the observation regarding those performing an oversight function is inconsistent with the Board's view, but will follow up with respondent to confirm that the concern is no more than a drafting issue.
047	B	The DGFiP is pleased with the definition of the users of financial information stated by the ED which has positively evolved since the consultation paper issued in 2008 and which now discloses the notion of "primary users", instead of "potential users". ...Indeed, the utmost importance of the users of services provided by public sector entities is sanctified by the Constitutional By-law on Budget Acts which sets out the objectives assigned to the missions and programs of the French central government by reference to users, citizens and taxpayers.	Noted – similar views also expressed by others regarding citizens as the primary user. See staff comments above on Board intention re identification of service recipient and resource provider as mechanism to provide sharper focus for identification of the information

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		Besides the categories of service recipients and resource providers set out by the ED, the DGFiP considers that more emphasis should be put on citizens, and, as a consequence, on the Parliament as their representatives. Indeed, the Declaration of the Rights of Man and of the Citizen sets out that the administration should account to taxpayers, who are the main resource providers of central governments, for the public funds spent (article 14: "*All the citizens have a right to decide, either personally or by their representatives, as to the necessity of the public contribution; to grant this freely; to know to what uses it is put; and to fix the proportion, the mode of assessment and of collection and the duration of the taxes*"). Sometimes the citizen might not be a service recipient or a resource provider of the public entity (example: a citizen who live outside his country), though financial information may be useful to him when he has to make political choices. This category of primary users should be added to the two categories provided for by the ED. No hierarchy of primary users of the financial statements should be introduced.	needs of citizens and others.
048	D		
049	C	If citizens are recognised as prime users of financial statements, it is because they are suppliers of resources and beneficiaries of services (2.5), but there are others. This approach is acceptable only with several reservations: - the conceptual framework cannot ignore reality: in a democratic State, where governing officials are required to report to citizens or to their representatives, national rules (or rules of the European Union) always comprise obligations in this respect for different public entities, even though they may take different forms: consequently, the first sentence of § 2.4, " *...who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes"* makes no sense. Financial information for general purposes may of course by complemented for more specific needs (2.6) but it is not a category in its own right. As a general rule, it will be included in documents due to the representatives of tax-paying citizens/beneficiaries of services (State, local government) or to representatives of public contributors (public establishments, social security organisations); - it is therefore a moot point - putting it mildly - to imply that parliaments (or other deliberating assemblies) should have special needs for financial information that might lead to their requesting special statements (BC2.S). When you opt for an approach to GPFR as broad as the present draft exposure, you cannot then leave people thinking that it might, by nature, be inadequate;	Point noted – re regulation or other authority clarifying/imposing obligation to report to citizens. This could be built into explanation to strengthen discussion of "context" – a matter also raised by other respondents. However, staff is of view that the Focus of the Framework on responding to the information needs of users who cannot specify the preparation of reports tailored to their specific information needs is still valid and appropriate. Staff is of the view that the position of this respondent that GPFRs must be for citizen, taxpayers, service beneficiaries and their legitimate representatives, is not far from the Board's view.

R#	CATE-GORY	SMC 2(b) COMMENTS ON THE IDENTITY OF THE PRIMARY USERS	STAFF COMMENT
		- the bottom line is that under these conditions, GPFR must be for both citizen/taxpayers /service beneficiaries and their legitimate representatives, giving information that may be diverse in nature but always consistent in itself. In this respect, we may consider that actual financial statements, prepared according to observed lawful accounting principles (and subjected to an obligation of certification by the competent national institution) mayor should be complemented by receipt/expense budget execution statements, giving simple information about the year's budget balance, by performance reports or the equivalent thereof of more specific interest to such and such a category of citizen, and even by documents of sustainability. These statements must be usable by other persons, such as lenders, for example, and also by public contributors when dealing with statements from public organisations of all types. Lastly, they must be consistent with the State's national accounts - this principle of general consistency should be clearly asserted under 2.4 and BC 2.4 and in the conclusion after 2.13. It implies very exacting standards regarding actual financial statements and all supplemental documents.	
050	C	We do not agree that service recipients are a primary user of GPFRs. In our view, resource provides are the primary users. To illustrate this point, consider where a service recipient is experiencing a problem with the receipt of health or education services. In this case GPFRs are unlikely to be very helpful in resolving the problem for the service recipient. It makes more sense that resource providers are likely to have more use for the information provided by GPFRs, given the objectives of accountability and decision-making. Bringing in service recipients confuses the issue.	Noted. Staff agree GPFRs will not provide all the information service recipients or resource providers need for all their purposes. However, staff is of view this does not undermine Board view that that public sector entities should be accountable to, and provide information useful for decision making by, service recipients as well as resource providers
051	D	*Did not comment specifically on users.*	
052	A	We also agree with the users of general purpose financial reports as being service providers, service recipients and their representatives.	
053	D	*Did not comment specifically on users.*	
054	C	We agree with you that the Conceptual Framework must focus on the common information needs of users. We agree with IPSASB that users come from various perspectives... IPSASB has identified some of the users...However we feel that your view does not clearly	Noted – similar views also expressed by others. See staff comments above on Board intention

R#	CATE-GORY	SMC 2(b) COMMENTS ON THE IDENTITY OF THE PRIMARY USERS	STAFF COMMENT
		identify the public as the major user of GPFS. The primary users should be identified as the general public and their representatives. Secondary users can be identified but they should not drive the objectives of GPFS.	re identification of service recipient and resource provider as means to provide sharper focus for identification of information needs of citizens and others.

SMC 2: Objectives of financial reporting by public sector entities and the primary users of GPFRs of public sector entities and their information needs

(c) Users' Information Needs (also encompasses comments on Information Provided by GPFRs)

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**15**	**45%**
(B) SUPPORT WITH RESERVATIONS	**11**	**33%**
(C) DO NOT SUPPORT	**7**	**21%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***33***	***100%***
(D) DID NOT COMMENT	**21**	
TOTAL		

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
001	A	The ED discusses the information needs of users. We agree that certain information topics clearly fall within the scope of GPFR, namely: Financial Position, Financial Performance, Cash Flows, Compliance with Budget, and other narrative reports such as management commentary. …the Framework includes within GPFR both financial *and non-financial information that covers 'service delivery activities,' 'plans and objectives for* service delivery in the future, including anticipated amounts and sources of the resources needed to support those plans and objectives' and 'narrative reports.' These additional elements broaden the scope of GPFR beyond the more narrow financial statement objectives. We would suggest, with the Framework's emphasis on reporting non-financial and prospective information within GPFR, that IPSASB includes guidance that reviews the issues surrounding the provision of forward looking and assumptive-based information, or explain that this will be detailed in the standards that introduce the reporting of service delivery and prospective information.	Staff agrees. Comments along these lines included in commentary re implications of QCs to broad scope. Inclusion of comments in BC likely to also be useful. Consider, subject to decisions on scope.
002	A	ACAG strongly agrees that financial reporting should provide users with information about the past and future. This allows financial reports to demonstrate the sustainability of government and provides accountability information by demonstrating the impact of policy decisions on current and future resources.	
003	A	HoTARAC broadly **agrees** with the users identified and their information needs. *However respondent also refers to*:"... concerns previously expressed by HoTARAC that the IPSASB needs to research the objectives of financial reporting further to determine	Noted. Staff agrees that these are matters that will be considered and developed further as the Board

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		how they will be met. HoTARAC is of the view that the objective and/or nature of decisions made by users is not specific enough to determine the appropriate information (both nature and amount) to be included in GPFRs, but HoTARAC concedes this is a broader issue that is unlikely to be addressed in this project."	considers and develops projects at the guidance/IPSAS level.
004	C	...The IPSASB conceptual framework should be limited to supporting the preparation of General Purpose Financial Statements (GPFS) that meet the informational needs of the general public and not try to encompass broader financial reporting.	Noted – consider as part of broad discussion of scope.
005	A	*[Staff comment: Overall response notes support for all SMCs]*	
006	B	Refer to Paragraph 2.11- NSW Treasury believes that service recipients and their representatives might be interested in information about service delivery objectives (as described in para 2.8), which is generally excluded from the scope of financial (audited) reporting (refer our comments above on the scope of financial reporting). Meanwhile, service recipients are less likely to be interested in financial (audited) information of the reporting entity. Therefore, consistent with our prior comments, we do not consider them to be primary users of GPFRs. We consider the discussion around the information needs of resource providers and their representatives in paragraphs 2.10 and 2.11 appropriate and sufficient.	
07	D	*Did not comment specifically on users' information needs or information provided by GPFRs in response to SMC 2. However, does not support extension of scope of GPFRs beyond financial statements.*	
008	B	As a point of reference, the FASAB's Concept Statement No.1 categorizes the objectives of federal financial reporting as: Budgetary Integrity, Operating Performance, Stewardship, Systems and Control. The IPSASB categorizations are generally consistent with those of FASAB. However, we believe there are certain clarifications or areas of emphasis that would make the setting of specific standards more effective. *Financial Position, Financial Performance and Cash Flows* (¶ 2.15 - ¶ 2.18). In general, we believe that IPSASB should emphasize the need for GPFRs to put the current financial statements in their proper historical context to ensure the relevance of the information to the users. We concur with the statements in this section as they relate to the current financial presentation but we believe the IPSASB could emphasize that the financial statements provide the most relevant information on the current financial position and condition, and	Noted. Staff agrees that in many instances matters addressed here can be encompassed by the Board's explanation. Staff takes the point that current explanation focuses of financial and service delivery information about the reporting period, and will consider wording as Board reviews this section. However, staff is also of the view that a number of these points go to matter of detail better observed at the standards/guidance level as

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		that they should be reviewed in context with historical information and information on future service delivery objectives. *Service Delivery Achievement* (¶2.21). As discussed above, we believe it is critical for effective GPFRs to provide information on historical as well as current service delivery achievements (SDAs) along with their related cost information. Discussions of SDAs should be aligned with the mission and goals of the entity. Historical SDA information should be provided at a summary level and only for the most relevant and significant SDAs, as context for the assessment of the current SDAs and future service delivery objectives. Although discussed in ¶ 2.25, we believe that ¶ 2.21 is a better place to discuss that SDAs should be reasonably representative of the overall financial performance of the entity. *Prospective financial and non-financial information* (¶ 2.22 - ¶ 2.23). We concur with the statements made by IPSASB in ¶ 2.22 and ¶ 2.23. The current discussions in the United States over the nation's ability to fund future service delivery activities illustrate how prospective financial information may serve as the most relevant component of a GPFR for many users. *Narrative reports* (¶ 2.24 - ¶ 2.25). We appreciate IPSASB's discussion of how narrative reports can supplement financial statements in providing information to users for accountability and decision-making purposes. We believe it would be helpful to distinguish the reporting of objectively presented information (SDAs, cost information, etc.) from the reporting of more subjective views and analysis from entity management. *Other sources of information* (¶ 2.26).We believe IPSASB should also recognize the role that a concise "Citizen's Report" or other abbreviated financial and performance report can serve in meeting the needs of users. We note that IPSASB has not addressed two objectives outlined by FASAB categorized as "stewardship" and "systems and control". We believe these objectives are relevant to all public sector entities and should also be recognized by the IPSASB. We suggest these elements be combined with budgetary compliance under a broader "stewardship" section addressed by IPSASB and considered in future phases of this project	relevant projects are developed. Some of these also matters go to the Board's consideration of the explanation and elaboration of accountability and stewardship and should be considered in that context.
09	D		
010	A	Definition of Primary Users of General Purpose Financial Reports (GPFRs) and description their information need is broad enough to encompass all the possible	

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		stakeholders and their required information relating to a Public Sector Organization.	
011	B	...because of the wide range of different users in the public sector, in our view, it remains questionable as to whether it is really possible to identify and respond to common needs in GPFRs. The IPSASB recognizes this point such that the discussion included in paragraph 2.14 et seq. highlights one essential difference in information needs from the private sector. However, our concern is whether all such reports would truly be "general purpose" or whether certain reports may simply respond to the information needs of specific users or classes of users, rather than really common information needs applicable to all users. This is an aspect that will require further exploration on a case by case basis, as GPFRs evolve beyond GPFSs (General Purpose Financial Statements), and which ought to be discussed in the framework. In this context, we had also previously commented that in developing GPFRs care will need to be taken to ensure that the Board deals with financial information and narrative information related thereto, but not non-financial information, which ought to be subject to separate reporting. This issue is particularly important in considering projects such as service reporting where the IPSASB will need to establish clear delineation.	Noted and agree with cautionary observations re the standards/guidance level. The Board did decide to remove reference to "common" information needs in finalising the ED in response to concerns similar to those raised here.
012	A	*Notes agreement with the response from FEE (see Response 29) and adds* Nonetheless, we would like to emphasize the following matters which we consider of particular importance in our jurisdiction: - General Purpose Financial Reports (GPFRs) of public sector entities can report information about the past, present, and the future that is useful to users—including financial and non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period. In this respect, we totally agree with the view that the budget is a key tool for discharging accountability by a government to its constituents. The inclusion in GPFRs of information to assist users in assessing the entity's compliance with legally adopted or approved budgets will enhance the usefulness of GPFRs for accountability purposes. This compliance should be extended to legislative and other requirements.	Noted – staff had anticipated that para 2.20 would respond to this matter, but will consider in review if this section.
013	B	The draft Conceptual Framework does not distinguish sufficiently between the components of general purpose financial statements (GPFSs) and accompanying management commentary, or equivalent material. We believe that there are differences between the qualitative characteristics of the material which should be included in GPFSs and accompanying narrative commentary. Therefore, it is important that the Conceptual	Noted. Staff is of the view that distinguishing components is better dealt with at Phase 4 which deals with presentation – or at least issues surrounding this matter should be

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		Framework provides clarification on the content of both of these components of general purpose financial reports (GPFRs) and sets out the qualitative characteristics for both elements. Paragraphs 2.24 and 2.25 of the exposure draft are headed up 'narrative reports' although there is material in paragraphs 2.19 to 2.23 (on compliance with budget, service delivery achievements, prospective financial and non-financial information) which we would normally envisage being included within the management commentary. We believe that the Conceptual Framework should specify which items of content are outside the scope of GPFSs as the IASB has done through the publication, in 2010, of its 'Conceptual Framework for Financial Reporting' and separately published 'Practice Statement on Management Commentary'. [*Staff comment: see also comments on implications for QCs*.] *Respondent also noted under comments on scope:* In the UK, departmental resource accounts, which are prepared in accordance with EU adopted IFRS, include a statement of parliamentary supply. This statement reports on a department's compliance with the budget approved by the relevant parliament or assembly. Therefore, we appreciate that where budgets have been specifically agreed by a legislature and fall within statue that it is appropriate to include compliance with budget information within GPFSs rather than the management commentary. The sub-heading 'Service delivery achievements' is worded in a way that could be interpreted as the entity only having to report on those objectives which it has actually achieved. We believe the issue here is about service performance rather than achievement and would welcome greater precision in the wording within this paragraph (2.21).	revisited as the Board reviews responses to Phase 4 CP and more detailed guidance on matters included in narrative reports and their placement should be considered in projects at the guidance/standards level. The Board intends that the applicability of QCs to broader scope matters will be further considered and developed as particular projects are developed. Staff agree acknowledgement of para 3.5 may usefully included in BC of this section. Staff also agrees useful to revisit wording of service delivery achievements.
014	B	Specific details about the GPFSs should be included. There is a lot of information about the GPFRs in the Conceptual Framework. But there is a lack of specific details as to what is to be included in the GPFSs. However, it appears important that such details are already present in the Conceptual Framework.	Noted- Staff view is that additional details should be considered at the standards/guidance level.
015	B	15(b) - With regard to non-financial information, the report appears to have a lack of separation between financial and non-financial information. The report should also recommend the disclosure of practices such as sustainability reporting and performance budgeting to meet the demand of current and future stakeholders. 15(c) *"Public Sector Sustainability Reporting":* We contend that IPSASB should incorporate sustainability reporting in the conceptual framework for general purpose financial reporting by public sector entities. This would enhance the transparency and	Noted - The Board has considered whether the Framework should be more detailed and/or authoritative on such matters, and is of view that establishment of broad "enabling" principles in the Framework is appropriate.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		accountability of public sectors as viewed by the public. *[Staff comment- the submission includes an explanation of the contents/features of sustainability repots.]*	
016	D	*Did not comment specifically on users' information needs or information provided by GPFRs in response to SMC 2. However, does note concerns with some aspects of the scope.*	
017	D		
018	A	Many service recipients do not fully understand accrual accounting but they want to assure that their children and grandchildren will enjoy the same or higher level of services that they currently receive. Thus, we would add the following to the last sentence in paragraph 2.8: "(otherwise known as inter-period equity). Fiscal sustainability is a major concern for many public sector entities and it needs to be included in the conceptual framework. Thus, we recommend the following be added to paragraph 2.10: "Is providing sufficient resources to maintain fiscal sustainability in the future." Fiscal sustainability should be reiterated in paragraph 2.12. Suggest the following be added to the first bullet: "These decisions are especially crucial to assure that the public sector entities sustain their fiscal viability."	The Board had considered using terms such as these in early drafts but ultimately did not use them because of concerns at that time that there may be different interpretations of these terms in some jurisdictions (or different terms used), and their inclusion may not send the intended message. Consequently the Board determined to focus on broad types of information.
019	D		
020	A	We agree with the view of the IPSASB.	
021	D	*Did not comment specifically on users information needs in response to SMC 2. However, notes that members who are preparers and auditors do not support extension of scope of GPFRs beyond financial statements.*	
022	D	*Did not comment specifically on users information needs or information provided by GPFRs in response to SMC 2, but noted broad support for proposals in ED.*	
023	A	NAO also agrees with the information to be provided by GPFRs on: Financial Position, Financial Performance and Cash Flows; Compliance with the Budget; Service Delivery Achievements; Prospective Financial and Non-Financial Information; Narrative Reports. A brief mention is to be made to assets, liabilities and equities under financial position, and income, expenses and capital maintenance adjustments under performance. Reference is to be then made to Phase 2 of 4, namely to the Conceptual Framework for General Purpose	Noted – Revisit. Staff would prefer that matters of cross reference should be considered as the components are brought together as the Framework is finalised.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements.	
024	B	Similar to service delivery, the extent of compliance or non-compliance with applicable laws and regulations should be reported on in the GPFR. The framework should therefore be updated throughout to give prominence to reporting on compliance with the applicable laws and regulations as a reporting concept in itself. The information needs of users of GPFRs, may also include information on the following: • the circumstances/operating context under which the entity operates • the entity's strategic objectives and how it intends to achieve them • risk identification and management, taking into account material financial, social, economic, environmental and governance issues Consideration should therefore be given to expanding the framework to incorporate the above.	Noted – this matter also raised by others. Staff view is that a number of these matters relate to specifics that may be embraced under the broad principles reflected in the Framework. However, details/specifics are better noted and developed at the guidance/standards level as appropriate.
025	A	We agree with the primary users of GPFRs of public sector entities and their information needs as set out in the Exposure Draft.	
026	D	*Did not comment specifically on information needs and information provided by GPFRs but see introductory comments and comments on scope. Respondent expresses view that Framework should only apply to the financial statements.* *In introductory comments also notes:* The concept of primary users determines the nature and objectives of the financial statements, and affects the Conceptual Framework and the concepts which are ultimately selected. It seems reasonable to think that clear, understandable information which is readily comparable to budget data will satisfy users' needs. In this respect, the revenue and expense-led approach appears the most suitable although this approach must enable recognition of the elements of net assets in the balance sheet.	Importance of information comparable to budget noted.
027	D	*No specific comments on information needs or section on information provided by GPFRs - but see comments on users*	
028	D	*No specific comments on information needs or section on information provided by GPFRs - but see comments on objectives. Advocates accountability as a single objectives and notes this will have wide implications for framework.*	

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
029	A	… we find it quite difficult to conceive of user information needs for citizens, within the context of GFPRs, where there is a significant difference to the needs of service recipients or resource providers. The Exposure Draft may therefore get to the right result.	Noted - See comments on primary users where these views more fully explained.
030	B	Information provided by General Purpose Financial reports (2.14-2.26) - This section appears to the Treasury to be a means to explain why a number of current sets of information may be considered general purpose financial reports. The Treasury questions their inclusion in the manner prescribed. They are presented as examples that are not necessarily comprehensive, may "lock-in" current reporting practices, and in some cases, e.g. narrative reporting, are not particularly persuasive. Treasury would prefer this section to be a more conceptual discussion, as follows: • The overarching concept is that the objectives of financial reporting by public sector entities are to provide information about the entity that is useful to resource providers and service recipients for accountability and decision making purposes. • Such users need to make assessments of and decisions about the sustainability, flexibility, vulnerability and performance of the entity. • The information provided by general purpose financial reports follows from those needs • To meet such needs general purpose financial reporting may include information on stocks and flows, budget compliance, service delivery achievements, prospective and actual information, and graphic, tabular and narrative information. If this section is reorganised in such a manner, the objectives of the conceptual framework are more likely to be met. For example, such a reorganisation provides a framework for considering if and how voluntary services should be measured and presented. The current discussion of the content of financial reports fails to assist such considerations..	Noted - A similar type of approach was previously considered by the Board in the development of the CP and the ED. Ultimately the Board was of the view that the existing structure provided a sharper focus. Consider as part of Board's broad discussion of scope and its explanation in the ED.
031	D	*No specific comments on sections on information needs or information provided by GPFRs, but see comments on scope - does not support inclusion of non-financial and prospective information within scope*	
032	B	Furthermore it may be difficult to conceive the relevant information for both service recipients and service providers within the same framework. Instead it might be a more fruitful approach to let agencies/institutions produce supplemental and more targeted information for such groups if relevant. *Staff comment: In response to SMC 3 respondent develops this theme*: "In Denmark, the purpose of the GPFR is to provide an accurate picture of reporting entity's financial and	Noted – This view also raised by others under scope/introductory comments. Staff view is that such additional targeted information is not precluded by the Framework. In addition, Board intends that

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		operational results. This means that the annual report should explain the goal achievement, resource usage, assets and liabilities. To strengthen performance management, the main focus of the GPFR is public objectives and financial information. The PSASB proposes that the non-financial elements deserve great emphasis in the GPFRs. This is an approach Denmark applauds. We therefore agree in IPSASB's general definition of the GPFR (3.1).	appropriate guidance be included in any projects that deal with such matters. Staff will revisit clarity of the explanation in the ED of the consequences of the broad scope.
033	C	The province is concerned that IPSASB has not supported the view presented in this document, of what users' needs are by undertaking an empirical sturdy or survey covering all potential users. The province is concerned with the amount of focus being placed on the use of the financial statements as a primary source of information for decision making or that they form a clear basis for predicting performance in the future either in terms of policy directions or in terms of service delivery. Neither is the balance sheet indicative or intended to be indicative of the ability of the government to provide services in the future. There are several reasons for this view including: • Policy direction is set by the government in response to the government's perspective of political commitments it has made….. • Public sector financial statements do not include an element of capital that is subject to capital maintenance principles….. Therefore the amount of a government's accumulated surplus/deficit is of limited benefit, if at all, for predicting future service delivery levels. • The province sees the income statement/operations statement as measuring actual performance which is frequently compared by the public, the Public Accounts Committee of the Legislature and the financial press with the budget. Given that our jurisdiction has balanced budget legislation any deviation from budget does provide some predictability of the opportunity to maintain current expenditure priorities at current levels of service provision with current government revenue. … [However,] …there is a very tight non-disclosure/security policy surrounding the budget preparation process. Therefore it is difficult to attribute predictive value to the income statement. In the absence of balanced budget legislation, which obliges governments to submit a balanced budget. the ability of the previous financial statements to be indicative of future expenditures would be even less reliable. • Balance sheet ratios commonly used to analyze private sector entities do not apply to government. …	Point taken – the Board did, however, consider a number of national studies in developing the Consultation Paper #1. Point re limitations of GPFRs for decision making and as predictive tool noted. Staff of view that Board would agree with many of the observations. Intent was to reflect that information would be useful for accountability and decision making purposes. Staff will review explanation with a view to ensuring that wording does not "oversell" predictive ability of GPFRs.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		• The province sees the annual general purpose financial statements as being accountability documents, explaining to the public what resources were raised from them or on their behalf and what those resources were used for. The main decision that might be affected by these statements is the impact this accountability would have on the voting choice of the recipients of the information at the next election….	
034	D	*No specific comments on information needs or information provided by GPFRs – but in response to this SMC notes:* CIPFA agrees with the objectives as set out in the Exposure Draft. *[See also comments on scope]*	
035	C	The United Nations System organizations provide a wide range of services which are often delivered to relatively small groups of recipients in a specific region. Many services include one-time projects and/or projects of limited duration. As a result, their individual impact on overall financial performance and programme delivery results of an organization might not be significant. Therefore, it might become impractical for United Nations System organizations to attempt to present information on achievement of service delivery objectives and future service delivery activities in their GPFRs to meet needs of multiple groups of users of said reports. Organizations face a similar challenge while defining the level of detail for information to be included in their GPFSs. However, IPSAS 1 contains a more flexible definition of users' needs which allows preparers of GPFSs to judge information relevance and level of detail for financial reporting required under IPSAS. In contrast, this Exposure Draft defines the broader needs of users and, in its Basis for Conclusions, refers to the view of the IPSASB that a more comprehensive scope is *necessary* to ensure that financial reporting meets information needs of users (para. BC1.6). The Task Force's concern is that if an organization is not able to meet the needs of users due to reasons of impracticality and 'cost-benefit' considerations (as explained above), it may lead to a debate whether its GPFRs conform to the Conceptual Framework (once it becomes effective) and whether they meet the needs of users for decision making and accountability purposes. The Task Force, therefore, suggests that the Conceptual Framework emphasize the underlying assumption that financial reports are of 'general purpose' and that broadening the scope by including additional information is expected to enhance quality of financial reports and accountability of an organization, but may not result in meeting needs of more users as compared to users of GPFSs. The Task Force further recommends that the IPSASB consider alternative methods of	Noted – see also comments at SMC 2(b) identity of users. Staff appreciates the concerns identified here, including observations on increased complexity of financial reports, but is of the view that they are matters that will be addressed in projects that provide detailed guidance and/or requirements – particularly in respect of the applicability of any guidance. Subject to the Board's direction, staff will review wording of this section and or basis of conclusion to clarify that detail will be developed if/as the Board develops further guidance and that these application issues do not flow as a consequence of acknowledging a broader scope in the Framework.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		presentation of information on achievement of service delivery objectives and future service delivery activities to users of GPFRs if preparers find it more practical from cost/benefit perspective or from the point of addressing needs of different users. For example,…*reference to publicly available reports already prepared* on achievement of financial and service delivery objectives …. Additionally, the World Intellectual Property Organization (WIPO), a member of the Task Force, notes that it remains unconvinced about broadening the scope of financial reports by including additional information which is assumed to enhance quality of the said reports and accountability of an organization. WIPO feels that the financial statements prepared in accordance with IPSAS are becoming increasingly difficult to understand for users; inclusion of supplementary information might negatively impact on the comprehensibility of the financial reports thus complicating analysis thereof by users.	
036	A	We also do agree with the proposed primary users of GPFRs of public sector entities and their information needs.	
037	C	The content of financial statements should then be consistent with a users' ability to assess (however the statements alone should not be the sole source of all this information): 1. if the entity is using resources economically; 2. the range volume and cost of services provided during the reporting period, how they were paid for, and the appropriateness of it all; 3. if the current levels of taxes or other charges are sufficient to maintain the volume and quality of services currently provided. The financial accounting standards should not attempt to solve the challenges associated with the 3rd information need noted. Such future oriented information is very subjective and its inclusion in audited financial statements would be problematic from not only a practical/ operational perspective but it would be very dependent of the policies of that time which is not often appropriate because policies can change as circumstances change… Financial statements are a necessary tool in accountability because they are the final report summarizing the government's stewardship over Public Money, in summary the process would be: 4. No one has authority to spend public money without the legislature providing that authority; 5. Primary source of authority comes from a budget/ appropriation which details the fiscal year's spending plan;	Noted. These concerns also raised by others. They will be considered in the context of the Board's deliberations on scope, and the consequences thereof.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		6. Periodic/ interim forecast updates are generally provided through the year to give the public a revised estimate of where government expects to finish a year relative to the planned budget; and 7. Financial statements are then prepared annually as a final accountability to the public reflecting on the execution of the budget plan. With this perspective it is seen that financial statements are one part of a government's accountability framework. We do not see the standard setter's role expanding significantly beyond the requirements of the financial statements. IPSASB appears to be expanding the financial reporting beyond general purpose financial statements to include non-financial elements of accountability. This is inappropriate in the context of producing financial statements. Governments must maintain the ability to establish their own accountability framework based on their mandate and expectations of their public/ users. If they do not meet expectations the consequences are administered by the public through elections or other democratic actions. It is possible a standard setter will obtain information that might be helpful, or conduct research that would serve as "best practice"; however any related publication should be restricted to resource material available for use but not required.	
038	C	...as noted above, we believe that the focus of the Conceptual Framework should be on financial statements. Therefore, the sections related to "service delivery achievements", "prospective financial and non-financial information" and "narrative reports" should not be incorporated into the Conceptual Framework. This represents valid supplemental information that a government may choose to report and for which the government should be given the latitude to determine the form and content.	Noted. These concerns also raised by others. See comments above. They will be considered as part of the Board's deliberations on scope, and the consequences thereof.
039	A	GPFRs must meet the information needs of primary users to enable them to use GPFRs for accountability and decision-making purposes, As financial reports, it is clear that they should provide information on the financial position, financial performance and cash flows of the entity. Information on compliance with budgets is also a key requirement for accountability purposes, especially when the budgets have been voted by the legislature. In order to determine whether value for money is being achieved. The reporting of non-financial and financial information on service delivery activities and outcomes is also to be encouraged. In this, we would also include sustainability reporting from both financial and environmental perspectives, as these reports are fast becoming key information needs for decision making purposes by users. It may be the case that information needs can be met	Noted – staff of the view that this is not inconsistent with the view of the Board, though does propose specific acknowledgement of sustainability reporting.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		outside the GPFRs and also published in summary form; IPSASB may need to consider its role in the preparation of such information.	
040	C	*See response to scope – Respondent of view that Framework should not apply to non-financial and prospective information.* **…**A government's primary mission is to supply services and distribute wealth. With that in mind, governments have implemented a budgetary process that gives effect to their priorities and decisions. At the conclusion of the fiscal year, users of financial statements primarily want to know whether the government has achieved its objectives and, in making their assessment, they focus their attention chiefly on the annual results. For the conceptual framework and the accounting standards relating to it to be adapted to the public sector, it is important that this reality specific to governments be taken into account in formulating the IPSAB conceptual framework. Accordingly, we believe that the conceptual framework should be more focused on results than on the balance sheet.	Noted
041	A	*See also comments on scope where reservations about inclusion in GPFRs reports on long term fiscal sustainability are identified.* Although we agree that budget to actual comparisons provide useful information within the context of historical financial statements, we think it would be helpful if the IPSASB considered the broader issue of whether budget reports fall within the definition of a general purpose financial report.	Noted – the Board has previously considered this matter and agreed that matters related to budget formulation and presentation were not part of its purview. Staff agrees it would be useful to revisit & clarify.
042	D	*No specific comments on information needs or information provided by GPFRs*	
043	D	*No specific comments on information needs and information provided by GPFRs*	
044	D	*No specific comments on information needs and information provided by GPFRs but see comments on scope – supports broad scope.*	
045	A	*No specific comments on information needs and information provided by GPFRs but note broad support for matters raised in SMC 2 with* two provisos. *See comments under objectives re accountability for one proviso and comments below for the other.* A matrix linking the users' needs set out in paragraphs 2.7-2.13 to how/where they would be met in/by GPFRs would be useful once all of the pieces of the framework are put together. Cost and cost recovery information can only be provided in GPFSs (and likely also	Noted – consider matrix in conjunction with review of Phase 4 on presentation. Will review text (and follow-up with respondent) with a view to identifying areas where accountability and decision making value is oversold.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
		GPFRs) at a summary level. Thus the accountability and decision-making value of such information is not as high as when that information is provided and evaluated at a program level. However, the inclusion of high level cost and cost recovery information in GPFSs (and GPFRs) will in most cases mean that the high level information will be audited. The provision of assurance on the information provided in GPFSs (and GPFRs) adds to its credibility and plays a role in ensuring that the more detailed information included in an entity's accounting system is more accurate and credible too. There are a few places in the ED, including paragraphs 2.13 and 2.16 where we think the accountability and decision-making value of having high level cost and cost recovery information in GPFSs and GPFRs may be overstated.	
046	D	*No specific comments on information needs and information provided by GPFRs, but note comments on scope, users and objectives of GPFRs above.*	
047	D	*No specific comments on information needs and information provided by GPFRs, but note comments on scope. Does not support extension of Framework beyong financial statements.*	
048	D	*No specific comments on information needs and information provided by GPFRs*	
049	C	For paragraphs 2.19 and 2.20 (information re budget execution), 2.21 (service delivery achievements) 2.22 and 2.23 (prospective information), the Court of Auditors refers back to what was said under I.B and also to the above paragraph and the principle of consistency. Additionally and regarding more particularly sustainability (2.23), it also refers back to its reply of 26 April, 2010, to the consultation document from the IPSAS Board relative to information about the long-term financial sustainability of public finances *[Staff comment: at IB, the respondent noted that while accepting the notion that additional information outside financial statements can be useful, the Board should not develop/issue authoritative standards dealing with such information and it must be clear that Phases 2 and 3 of the Framework relate only to financial statements. Respondent comments on the ED dealing with LT sustainability argued that disclosures should be made in a report separate from the financial statements.]* *Staff comment: The paragraph on consistency states:* "…this principle of general consistency should be clearly asserted under 2.4 and BC 2.4 and in the conclusion after 2.13. It implies very exacting standards regarding actual financial statements and all supplemental documents."	Noted. These go to matters of scope. They have also been raised by others. See comments above. They will be considered as part of the Board's deliberations on scope, and the consequences thereof.

R#	CATE-GORY	SMC 2(c) COMMENTS ON USERS' INFORMATION NEEDS AND INFORMATION PROVIDED	STAFF COMMENT
050	B	Although we agree with the information needs of users of GPFRs of public sector entities as set out in the conceptual framework, we are of the view that there needs to be more focus on the importance of telling an overall performance story because users need the whole story to be able to properly hold entities to account and from which to make decisions. Resource providers in particular will need to know what has been done with the resources provided and to what effect. Therefore, they will need a good understanding of the non-financial as well as the financial information.	Noted – it goes to matters of structure and style of the ED and Framework. Consider consequent to the Board's deliberations and decisions regarding scope – as matters of "delivery" of the message are considered.
051	D	*No specific comments on information needs and information provided by GPFRs*	
052	B	In reading the Phase II Consultation Paper, it is noted that "inter-generational equity" may be a key factor in considering an entity's performance. As the concept of current taxpayers paying for the current services received is an important consideration in the public sector, we believe that a discussion should be included in this section. The discussion should explain that inter-generational accounting can be as simple as analysing whether current taxpayers paid for the services they received in that period, or at a more complex level, calculating whether the benefit to be received by future generations is or is not equivalent to the benefit received by current taxpayers. In addition to the concept of inter-generational equity, we are of the view that the following aspects could be strengthened or emphasized in the discussions in 2.14 to 2.26 could include the following aspects: • GPFRs can or should provide information about a variety of time horizons, i.e. short, medium and long term. The provision of information about the different time horizons means that the information can be used to assess a number of issues, e.g. liquidity (short term), decisions about policies and future performance (medium term) and sustainability (long-term). GPFRs should provide information about an entity's compliance with laws and regulations.	The Board had considered some commentary along these lines in early drafts of the consultation paper on Phase 1, but ultimately opted for a broader approach that might encompass such analysis. Staff recall, that at that time, there was some concern about whether the Framework should include such details. There was also concern that these terms may be interpreted differently in some jurisdictions (or different terms used), and their inclusion may not send the intended message. Point taken re focus on current period – this point also made by others – re historical focus of explanation.
053	D	*No specific comments on information needs and information provided by GPFRs*	
054	D	*No specific comments on information needs and information provided by GPFRs, but note comments on scope, users and objectives of GPFRs above - does not support extension of scope beyond financial statements.*	

ADDITIONAL ISSUES IDENTIFIED ON SECTION 2—OBJECTIVES, USERS AND INFORMATION NEEDS

R#	SECTION 2 (Objectives, users and information needs) - ADDITIONAL ISSUE RAISED	STAFF ANALYSIS
	EDITORIAL/CLARIFICATION /STRUCTURE	
002	ACAG is concerned with the mandatory nature of paragraph 2.20 which requires budgeted information to be included for all public sector general purpose financial statements. While this information may be useful to users, especially at a whole of Government level, there may be reduced usefulness (as well as practical compilation issues) in presenting budget information for individual reporting entities within the group. To address this ACAG recommends the wording in paragraph 2.20 be changed from 'is included in GPFRs' to 'may be useful to users in GPFRs'.	Point noted. Staff will review drafting. Not intended to be mandatory. This may be a broader issue than just para 2.20. Goes to structure of ED and delivery of message.
003	HoTARAC notes that "government budgets and forecasts" are listed as being outside the scope of GPFRs in paragraph 2.26, however compliance with the budget and prospective financial information are included under the heading 'Information Provided by General Purpose Financial Reports'. HoTARAC suggests that the IPSASB clarify whether or not it is their intent that government budgets in their entirety should be included in GPFRs. If it is included, IPSASB would need to consider the level of verifiability/assurance for such estimates information and in HoTARAC's opinion, this should be at a lower level than for information included in the financial statements (refer comment above).	Noted. This also raised by other respondent. Staff is of view budgets in entirety are not intended. Agree it is useful to revisit and clarify.
003	Refer to Para 2.10 HoTARAC believes that the words "that were" should be inserted between the words funds and raised in the second dot point for clarity ;	Noted – consider in drafting review
003	Refer to Para. 2.14 - for clarity, financial position, financial performance, cash flows and changes in net assets should be presented as the first dot point. As an example, the paragraph could state the following: "GPFRS will need to provide information about: o the financial position of the government or other public sector entity as at the reporting date and its financial performance, cash flows, and changes in net assets during the reporting period; o service deliveries/outcomes; and o future plans (i.e. budget). In addition, a comparison between actual and budget information should be included;	Noted – consider in drafting review
008	Information Needs of Service Recipients and Resource Providers (ED ¶ 2.7 – ¶ 2.13). We found this section somewhat confusing and the IPSASB should consider reorganizing this section.	Noted – consider in drafting review

R#	SECTION 2 (Objectives, users and information needs) - ADDITIONAL ISSUE RAISED	STAFF ANALYSIS
	• ¶ 2.9 further defines "resource providers". We believe this should be included with the discussion on the definitions in the section "Users of General Purpose Financial Statements" (ED ¶ 2.3 – ¶ 2.5). • It is unclear why the accountability needs for service recipients and service providers are grouped together under a subcaption. We believe these should be discussed respectively in conjunction with ED ¶ 2.8 and 2.11. • ¶ 2.12 includes a further definition of voluntary and involuntary resource providers. The definitional components of the section should be discussed in the "Users of General Purpose Financial Statements" section (ED ¶ 2.3 – ¶ 2.5).	
041	….we think it would be helpful if the IPSASB considered the broader issue of whether budget reports fall within the definition of a general purpose financial report.	Noted – see comments under user information needs. Staff agrees it would be useful to revisit & clarify.
046	Refer to Para. 2.24 and 2.25 - The AASB considers paragraphs 2.24 – 2.25 imply that narrative reports would only include information about financial and service delivery performance. This could unintentionally narrow the scope of the information that should be included in a narrative report. The AASB suggests amending the wording and including some examples of other information that may be included in a narrative report, such as information about risks, resources, objectives, strategies, relationships and nature of business/activities.	Noted – narrow focus not intended. Consider in drafting review
	PROCESS	
002	ACAG believes that decisions made in Phases 2 - 4 of the Conceptual Framework project are likely to shape the type and format of information provided by general purpose financial reports. It is therefore recommended that the statements outlined in Section 2.14 – 2.26 be reconsidered after completion of the framework project to ensure they address all types of information that should be provided by general purpose financial reports. In particular, ACAG is concerned that paragraph 2.20 could be read as stating that general purpose financial statements must be the vehicle for a range of compliance disclosures. This may or may not be the case, depending on regulatory arrangements in individual jurisdictions.	Point taken. Board intends to consider issues that cut across all components and how components "mesh" before finalisation of Framework. At that time Board will also consider if an umbrella ED is necessary.
	ADDITIONAL DEFINITIONS	
003	Refer to Para. 2.7 and 2.8 "non-exchange transactions" and "cost recoveries" need to be defined within the Framework;	Noted – see also comment below re more generic approach. Consider as part of drafting review.

R#	SECTION 2 (Objectives, users and information needs) - ADDITIONAL ISSUE RAISED	STAFF ANALYSIS
014	What does "*services"* mean exactly? Not every public corporation provides services, such as schools, streets or public transport. For example the Swiss Confederation's budget consists mainly of transfers, of legislation and public policies. It is scarcely possible to find any services directly to the public. Therefore this expression should be broadly understood and defined. What is meant by "*resources"* is also not clear. Does this mean only cash resources or all production factors, labour, land, capital? A definition of this important expression is considered necessary.	Noted – consider as part of drafting review.
46	Refer to Para. 2.12 The first sentence of each bullet point in paragraph 2.12 refers to an "exchange transaction". The AASB notes that this term is not defined in the ED and presumes that, at a conceptual level, the distinction between exchange and non-exchange transactions is important, without explaining that presumption. The AASB considers that the issue of whether to distinguish exchange and non-exchange transactions is a standards-level issue only, and that the terms 'exchange' and 'non-exchange' should not (and need not) be used in the IPSASB Conceptual Framework. Accordingly, in the above-mentioned sentences, the AASB recommends using a generic description of the transaction, such as "a transaction in which the parties directly exchange approximately equal value". The AASB's recommendation above is consistent with its comments on references to 'exchange transactions' and 'non-exchange transactions' in its submission on the IPSASB's Conceptual Framework CP on Elements and Recognition. This issue is given greater prominence in that submission because references to those terms are much more pervasive in that CP.	Noted – consider as part of drafting review.
014	**APPENDICES**	
018	A lead-in to Appendix 2A (IFRS) and Appendix 2B (SNA) is needed to explain why it is included. We suggest the following be added to paragraph 2.1: "The objectives of financial reporting and users of financial reports considered those previously established by the IASB (Appendix 2A) and the SNA (Appendix 2B). In particular, these include the objectives in the GFSM 2001 and the Public Sector Debt Statistics to be issued in early 2011."	Noted – Similar comments also made re appendices to section I of ED. Consider in broader discussion of role, nature and placement of appendices.

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.

Overall Views on the Qualitative Characteristics

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**16**	**47%**
(B) SUPPORT WITH RESERVATIONS	**18**	**53%**
(C) DO NOT SUPPORT	**-**	**-**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***34***	***100%***
(D) DID NOT COMMENT	**20**	
TOTAL	**54**	

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
001	A	We agree with the qualitative characteristics as depicted within the proposed Framework, and have no further comments on the use of 'Faithful Representation' as a characteristic for information included in GPFR .*[See also comments on individual QCs and constraints]*	
002	D	*No general comment on QCs overall, but highlights concern/support re specific QCs*	
003	A	Hotarac agrees with the proposed qualitative characteristics subject to the previous comments on verifiability and disagrees with materiality being classified as a constraint on information. [S*ee also comments on verifiability and classification of materiality.]* Paragraph 3.5 states that "The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond financial statements including their notes will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters". HoTARAC suggests users of the Framework would benefit from clarification in the Basis for Conclusions now about whether information that extends the scope of financial reporting beyond financial statements (prospective information, etc.) will be covered by specific IPSASs and/or other pronouncements, or whether the expectation is that entities will simply apply the concepts outlined in the Framework (and that IPSASB will not issue any IPSASs on this type of information requirement).	Noted. Staff view is that the Board will consider the interpretation/application of the QCs in the context of projects to develop guidance or IPSASs. This matter also goes in part to the authority of the Framework – staff will also raise it in that context.
004	D	*No general comment on QCs overall, but reconfirms view that focus should be on GPFS rather than broader scope GPFRs. See comments on faithful representation and materiality as applied to financial statements.*	
005	A	*No general comment on QCs overall but overall response notes support for all SMCs. See also comments on faithful representation.*	
006	B	NSW Treasury agrees with the qualitative characteristics, and notes that, with the exception of the omission of the distinction between 'fundamental' and 'enhancing' characteristics, the	Concern here goes to broad issue

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		qualitative characteristics are identical to the IASB Framework. This illustrates that the differences between the public and private sector are not fundamental. Therefore, consistent with the IPSASB document *Process for Reviewing and Modifying IASB Documents*, we believe that the IPSASB text should be consistent with the IASB text (as much as possible), rather than using different words to say, in essence, the same thing. Further, we do not see a justifiable public sector-specific reason to omit the IASB distinction between 'fundamental' and 'enhancing' characteristics. While commentators may debate the validity of making such a distinction, arguments for it have not differentiated the public sector.	of IPSASB approach and whether departures from IASB Framework are appropriate. Consider in context of that discussion.
007	B	The proposed qualitative characteristics are generally supported; they are similar to the characteristics within the current PSAB conceptual framework, with some variation in the organization of certain concepts. However, we provide the following comments. *[See also comments on faithful representation-reliability and materiality]* Further, the concern with the extension of the scope beyond the financial statements is reiterated in relation to its reference in the discussion of the various qualitative characteristics. Application of the qualitative characteristics in relation to the proposed scope is seen as problematic especially from an audit perspective.	Concern here goes to broad issue of how QCs will apply to broader scope issues. Consider in context of that discussion.
008	D	*No general comment on QCs overall but comments on faithful representation and materiality*	
009	D	*No general comment on QCs overall but see comments on faithful representation.*	
010	D	*No general comment on QCs overall but see comments on faithful representation and materiality.*	
011	B	In our view, the qualitative characteristics of public sector financial information identified at a conceptual framework level are unlikely to differ from that applicable to the private sector. However, their application and interaction with one another may differ in some respects. S*ee comments on faithful representation and materiality.*	Noted –concerns include removal of reliability as a QC in both IASB and IPSASB Framework and departure from IASB Framework.
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	B	We welcome the broad alignment of the qualitative characteristics of, and constraints on, general purpose financial reports of public sector entities with those of the IASB's Conceptual Framework for financial reporting. We note that the IPSASB has not followed the convention followed by the IASB's Conceptual Framework in distinguishing fundamental qualitative characteristics (relevance and faithful representation) from enhancing qualitative characteristics. We would prefer that the IASB's approach is followed. We do not believe that prospective information is capable of complying with all qualitative	Concern here goes to broad issues of whether IPSASB approach re the IASB Framework is appropriate and how QCs will apply to broader scope issues. Consider in context of those discussion. Staff agrees that

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		characteristics of financial reporting and support the approach set out by the IASB towards forward looking information in its 'Practice Statement on Management Commentary'. *[Respondent outlines principles identified by the IASBs]* Political and parliamentary processes are a constraint on prospective information and public sector entities will need to explain any assumptions used to prepare such information included within GPFRs, in particular the management commentary. *[See also comments on faithful representation and materiality.]*	application of the QCs to the broad scope of GPFRSs will need to be considered as projects are developed. The Board had intended that paras. 3.5 and 3.31 would go, at least in part, to this matter.
014	A	The omission of a hierarchy is welcomed. Although this results in a departure from the IAS/IFRS, it is welcomed that a hierarchy of quantitative characteristics of information is omitted.	
015	D	*No general comment on QCs overall but see comments on relevance and usefulness.*	
016	B	*No general comment on QCs overall but comments on each QC/constraint - see following*	
017	D	*No specific comment on QCs*	
018	A	We also agree with the Qualitative Characteristics in section 3… *[See also comments on faithful representation and materiality and linkage to appendix.]*	
019	D	*No specific comment on QCs*	
020	B	Concerning "classification of the qualitative characteristics and order of their application" discussed in BC3.28, the appropriate approach should be the same as adopted by the IASB. The reason for this is that relevance and faithful representation are also the major qualitative characteristics of financial statements applicable in the public sector, and there is no reason for a requirement of a different classification, etc. We agree with the view of the IPSASB except for the above. However, statements concerning the matters stated below should be given consideration. *[See also comments on individual QCs and constraints]*	Noted – Board has discussed this matter extensively in developing CP#1 and the ED#1 before coming to its view as outlined in para 3.29.
021	B	Members that are preparers and auditors of financial information of public sectors entities, who are in the view that the scope of the conceptual framework must be limited to financial statements, believe that the characteristics of information in the F/S should be at the same level, whatever is the financial reporting framework. They believe that there is no circumstance where the relevance and faithful representation should be diminished as to fulfill another characteristic. The enhancing characteristics (understandability, timeliness, comparability, verifiability) are the only ones which should be balanced when necessary, to achieve relevance and faithful representation, which allows the achievement of the objectives. Members that represent taxpayers and other members of the community, who are in the view	Staff note the differing views of members who are preparers auditors re application to the financial statements (relevance and faithful representation are fundamental) and those that represent taxpayers and others re application to the potential broad scope of GPFRs.

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		that the scope of the conceptual framework should apply to both F/S and information other than F/S believe that the classification is adequate.	
022	A	I support the list of Qualitative Characteristics described in the exposure draft. *[See also comments on individual QCs and components thereof.]*	
023	B	NAO is of the opinion that relevance and faithful representation are to be considered as fundamental qualitative characteristics; and comparability, verifiability, timeliness and understandability as enhancing qualitative characteristics. This is due to the fact that the latter category of characteristics tends to form part of relevance and faithful representation. [*See also comments on each QC/constraint.]*	
024	B	*No comment on QCs overall but notes:* Legislation is fundamental to and defines the operating environment and activities of all public sector entities. As such it should be a reporting concept in itself. The conclusion reached in paragraph BC3.33 that although many public sector entities may be impacted by legislation it is not a reporting concept in itself, is not supported. There appears to be no clear motivation or reason for classifying the criteria into the sub-categories of "qualitative characteristics" and "constraints". It is suggested that such a sub-classification is unnecessary and can be done away with and that all the criteria can simply be qualitative characteristics for inclusion of information in the GPFR. [*See also comments on faithful representation and materiality.]*	Staff notes differing review re legislation and role/designation of constraints. Staff is of the view that the "threshold" nature of the constraints does warrant a difference from the standards setters' perspective, but does accept that interaction occurs between QCs and constraints.
025	D	*No comment on QCs overall but see comments on faithful representation and materiality*	
026	B	The CNOCP considers that five of the six qualitative characteristics proposed in the exposure draft are satisfactory for pure accounting information. They are relevance, understandability, timeliness, comparability and verifiability. The CNOCP agrees with the three constraints on the financial statements described in the exposure draft, that is the cost-benefit ratio, materiality and the balance between the different qualitative characteristics. *See comments on faithful representation, comparability and materiality*	Staff notes that these comments relate to financial statements not broader scope.
027	A	We agree with the proposed qualitative characteristics and constraints on financial reporting. Therefore, we agree with 'faithful representation' rather than 'reliability' and the classification of materiality as a constraint.	
028	D	*No comments on QCs*	
029	A	…FEE agrees with the proposed qualitative characteristics and constraints on financial reporting. We therefore support the use of 'faithful representation' rather than 'reliability'	

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		and the classification of materiality as a constraint. We note that the Exposure Draft does not include the distinction between 'fundamental' and 'enhancing' characteristics which is made in the IASB Conceptual Framework.	
30	D	*No general comment on QCs overall, but see comments on cost benefit trade-off*	
31	B	*No general comment on QCs overall, but see comments under scope. Respondent expresses concern about application of c*omparability and *verifiability to prospective information that may be included in GPFRs.* S*ee also comments on faithful representation and materiality*.	
032	B	The proposed qualitative characteristics of information included in GPFRs are more explicitly defined than those in the guidance on GPFRs in Denmark, but at the same time they are identical to the criteria for information included in the Danish GPFRs. … *Staff comment; Respondent outlines the QCs identified in the Framework ED#1 and notes that a balance between the QCs may be necessary in some cases. Respondent notes:* This is identical with definitions used by private sector standards (IASB). We suggest IPSASB identical to IASB, rank the qualitative characteristics, as a pragmatic approach when identifying GPFR- information. S*ee also comments on faithful representation.*	Noted. Alignment with IASB designation of QCs has also been proposed by others. See comments above.
033	B	The province supports the qualitative characteristics proposed in the Exposure Draft except for one concern. Substance over form should be a separate qualitative characteristic. [*See comments on faithful representation where this is further developed]*	
034	A	…CIPFA agrees with the proposed qualitative characteristics and constraints on financial reporting. …We note that the Exposure Draft does not include the distinction between 'fundamental' and 'enhancing' characteristics which is made in the IASB Conceptual Framework. We suggest that this issue is revisited in the light of the development of other areas of the Conceptual Framework such as Presentation. [*See comments on faithful representation and materiality]*	Noted
035	A	Agree. [*See also comments on faithful representation and materiality]*	
036	D	*No general comment on QCs overall but see comments on relevance and materiality.*	
037	D	*No general comment on QCs overall but see comments on relevance and materiality.*	
038	A	Overall we agree with the qualitative characteristics identified in the Exposure Draft. See also *comments on relevance, timeliness and materiality.*	
039	A	Given our support for the Conceptual Framework having wide application beyond the financial statements, we agree that this approach needs to be supported by clear criteria and that the qualitative characteristics should apply to all financial and non-financial	

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		information reported in GPFRs. *See also comments on relevance and materiality.*	
040	B	*No general comment on QCs overall, but see comments on faithful representation and materiality. In addition respondent notes:* We believe that qualitative features should also include the accountability value of financial information. As mentioned earlier, the primary mission of governments is to provide public services and redistribute resources. With that in mind, governments implement a budgetary process that gives effect to their priorities and decisions. At the end of the fiscal year, the financial statements provide accountability to citizens, especially by means of the annual results, of how governments achieved their objectives. To this end, the information presented in the financial statements of governments in relation to the budget has accountability value. This is just an example showing that one of the features of financial information is its accountability value.	Noted. Others have also raised the need to emphasise accountability in the QCs. Staff is of view that the consequence of explaining QCs as attributes that make information useful and support achievement of the objectives, accountability is embedded in and already has a pervasive impact across the QCs.
041	D	*No general comment on QCs overall, but see comments on faithful representation, materiality and clarification of "other phenomena" in para 3.1.*	
042	D	*No comment on QCs*	
043	D	*No comment on QCs*	
044	B	The Joint Accounting Bodies support the included qualitative characteristics, including the use of 'faithful representation' in place of 'reliability'. We note their congruence with those agreed by the IASB/FASB - except that the IASB/FASB dichotomises qualitative characteristics based on fundamental and enhancing factors and treats materiality as an entity-specific component of relevance. Ideally, we would like to see both international frameworks end up with the same approach regarding fundamental and enhancing qualitative characteristics. Accordingly, we encourage the IPSASB to replicate the approach of the IASB and FASB. We agree with the position of the IASB/FASB that information without relevance and faithful representation is not useful, and that deficiency cannot be overcome through the presence of the other qualitative characteristics. We also agree with the IASB/FASB that financial information that presents with relevance and faithful representation can be useful, notwithstanding the absence of the other qualitative characteristics. We are not convinced by the arguments against classification advanced by the IPSASB.	Noted – Alignment with IASB designation of QCs has also been proposed by others. See comments above..
045	D	*No general comment on QCs overall. However, opening remarks express broad support for the concepts set out in the ED. See also specific comments on relevance, faithful representation, materiality, editorial matters and matters for clarification.*	
046	B	The AASB notes the ED does not replicate the revised IASB Conceptual Framework's	Noted - Alignment with IASB

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		dichotomy between 'fundamental' and 'enhancing' qualitative characteristics. Although the AASB has concerns, in principle, with that dichotomy adopted by the IASB, it considers there is no apparent public-sector-specific reason for the IPSASB's Conceptual Framework to differ from the revised IASB Conceptual Framework on this issue. This is particularly so given the benefits of complementary Conceptual Frameworks for the IPSASB and IASB. Consistent with its view outlined in the covering letter, the AASB considers that differences from the IASB Conceptual Framework should only occur when there is a public sector specific reason for them. *See also specific comments on relevance, materiality and matters for clarification.*	designation of QCs has also been proposed by others. Discuss in context of both broad issues of IPSASB approach re the IASB Framework and irrespective of that discussion whether a classification is appropriate.
047	A	… the DGFiP is pleased with the choice and the position attached to the characteristics of relevance, verifiability, understandability and timeliness. *See comments on use of faithful representation, true and fair, comparability, and materiality.*	
048	D	*No specific comment on QCs*	
049	B	Paragraph 3.2 gives the list of qualitative characteristics of information included in GPRF: relevance, faithful representation, understandability, timeliness, comparability and verifiability. The understanding is that all these qualities are to be placed on the same level, that they inter-combine and complement each other with no scale of priority (3.4 and 3.40 and 3.41; BC 3.29) and that they are designed to cover all forms of financial reporting (3.5). Firstly, this calls for two general comments: - even though they interlap, these qualities are different to those attributed to financial statements in the strict sense of the terms by the standard IPSAS 1 (appendix), which are "understandability", "relevance", "reliability" (a quality that includes "faithful representation", "substance over form", "neutrality", "caution", "completeness") and comparability (see further on). The opinion of the Court of Auditors is that the qualitative characteristics proposed in the conceptual framework must not lead to any degradation of the exacting standard of those listed under IPSAS 1; - secondly, the qualitative characteristics of the draft conceptual framework, when examining their definition given in the following paragraphs, appear in reality to have full scope only when tying in with other forms of GPFR, aside from financial statements in the strict sense of the term, But, in this respect, 3.5 suggests future developments to specify or to interpret these qualitative characteristics on the occasion of the creation of standards or ways forwards for the said other forms of GPFR. This is not entirely satisfactory and undermines the thoroughness of the present draft. *See also comments on each QC and materiality. Staff comment: Respondent also notes:*	Noted – The Board is of the view that the proposed QCs and explanation of their relationship clarify, strengthen and reinforce the QCs as identified in IPSAS 1. Point taken re need to continue to consider application of QCs as scope develops.

R#	ISSUE	SMC 3 - GENERAL COMMENTS ON THE QUALITATIVE CHARACTERISTICS	STAFF COMMENT
		"The Court of Auditors has no observation to make as to the two constraints recognised in the production of financial information…" in paragraphs 3.32 to 3.39 and BC 3.30 to 3.37.	
050	D	*No general comment on QCs overall, but see comments on faithful representation and materiality.*	
051	D	*No general comment on QCs overall, but see comments on materiality.*	
052	A	Apart from responses to (a) and (b) above *[dealing with faithful representation and materiality],* we agree with the qualitative characteristics and constraints on information. We do however note the following: *See comments on faithful representation, materiality, understandability, cost-benefit and distinction between qualitative characteristics and constraints.*	
053	B	Generally, I concur except that reliability can be a more important goal in certain scientific applications. *See also comments on faithful representation*	
054	A	We agree with IPSASB's views on the qualitative characteristics of financial information...The qualitative characteristics above are consistent with PSAB. We agree with IPSASB's that materiality and cost-benefit are both constraints on information included in GPFS. We also agree that there needs to be a proper balance between characteristics when preparing GPFS. Typical qualitative characteristic trade-offs would include relevance and faithful representation, or timeliness and verifiability. We agree that the quality of non-financial information would improve if the qualitative characteristics were applied to GPFR. However governments should decide on how they want to present information on service delivery achievements. The relevance and timeliness of this information is paramount and usually maximized at the expense of verifiability. The lack of verifiability makes it impossible to audit the information in GPFR. *See also comments on faithful representation and materiality.*	Staff notes that the respondent makes it clear that these comments apply only for general purpose financial statements unless expressly identified otherwise.

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.

SMC 3(a) - "Faithful representation" rather than "reliability" should be used in the Conceptual Framework to describe the qualitative characteristic that is satisfied when the depiction of an economic or other phenomenon is complete, neutral, and free from material error

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT USE OF FAITHFUL REPRESENTATION	**31**	**69%**
(B) SUPPORT WITH RESERVATIONS	**3**	**7%**
(C) DO NOT SUPPORT	**11**	**24%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***45***	***100%***
(D) DID NOT COMMENT	**9**	
TOTAL	**54**	

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
001	A	We agree with the qualitative characteristics as depicted and have no further comments on the use of 'Faithful Representation'....	
002	A	ACAG agrees with the use of 'faithful representation' as a qualitative characteristic.	
003	A	HoTARAC supports the use of "faithful representation" rather than "reliability" in the Framework.	
004	C	As stated earlier GPFR statements are not appropriate for Canadian governments at this time. Relative to GPFS requirements: (a) Faithful representation and reliability are both excellent descriptors for characteristics needed for general purpose financial statements. However, Ontario feels that the conceptual framework should use reliability. Although faithful representation is the more descriptive choice as it implies the importance of financial statements to go beyond reliability to reflect the economic substance and intention of fiscal policy decisions. As well, it takes into consideration the perpetual nature of governments and the unique non-reciprocal nature of public sector transactions. We have found that there are concerns that the term faithful representation may imply fair value accounting. For example, in the case of financial instruments, Canadian governments have struggled with PSAB's introduction of fair value concepts into government financial statements on the basis that recognition of unrealized gains and losses in government reports would not reflect the economic substance of the government's activities, nor the intention of governments holding those instruments (i.e. not for speculative purposes, and with intention to hold until maturity which eliminates the potential for unrealized gain/loss).	Noted – this implication was not intended. Staff will bring to attention of Board and seek additional feedback on experience from other jurisdictions.

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
005	A	As a clarification we however would like to make clear that when translated into Swedish the difference between the wordings "faithful representation" and "reliability" are of no importance so in that perspective we are indifferent on matter 3 (a).	
006	A	…we believe 'faithful representation' rather than 'reliability' should be used. We do not see any justifiable public sector-specific reason for departure from the IASB.	
007	C	Conservatism has been excluded from the IPSASB's proposed conceptual framework. This has long been a characteristic of reliability within Canadian conceptual frameworks; it should be recognized in the IPSASB's conceptual framework as its use under conditions of uncertainty affects neutrality of financial statements in an acceptable manner in our profession. Per IPSASB's proposal, the concept of faithful representation has been used instead of reliability. However, it notes that faithful representation is achieved when a transaction or event is presented based on substance over form and it is complete, neutral and free from material error. Therefore, it appears that the concepts upon which reliability are based are still given consideration in determining the faithful representation of financial statements. While it is not a significant concern if reliability is replaced with faithful representation, such a change in terminology is not seen as necessary in developing an international conceptual framework.	Noted – Prudence was the term used in IPSAS 1 with, in Staff's view, similar intent to conservatism. The Board's view on how prudence fits within QCs is noted at BC3.16 and BC 3.17.
008	A	We believe that the term "faithful representation" is better than "reliability". There are instances when balances, analyses, performance data or forecasts can be "reliable", but may not be a "faithful representation" of the matter they intend to portray. The latter implies that it is reported in the proper context, showing how that data impacts the entity's performance, condition or future plans.	
009	A	We agree on the faithful representation terminology.	
010	A	"Faithfull Representation" is more comprehensive and complete term. Component of Reliability is covered in Framework by including the term "Verifiability". Further the preparer of GPFRs are expected to know about the qualitative characteristic of "Faithfull Representation".	
011	C	Since the Consultation Paper on Phase I of the project was issued, a number of jurisdictions within Europe have experienced and are continuing to experience problems related to their sovereign debt and individual credit ratings. Such occurrences have re-emphasized how essential it is that reliable financial information be produced by public sector entities. Against this background, and whilst we recognize that the IASB has chosen to substitute *reliability* with *faithful representation* in establishing fundamental qualitative	The need for both faithful representation and reliability and the relationship between them is noted. Staff had anticipated that faithful representation encompassed reliability, rather than was separate

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		characteristics, we still do not fully support this change. We continue to believe that information must, in the first place, be sufficiently reliable for it to be useful, and that faithful representation follows on from there, rather than the other way round. In the above-mentioned letter dated 31 March 2009, we had previously mentioned the IDW Concept Paper "Additional Issues in Relation to a Conceptual Framework for Financial Reporting" of September 17, 2007, which drew upon the IASB's conceptual framework proposals of the time. We would like to mention this Paper again, as it not only deals with the context in which we had first drawn your attention to this paper, but also suggests that reliability is still needed as a separate concept, and further suggests that those responsible for the preparation of financial statements should support the information therein with appropriate accounting evidence derived from reliable accounting processes and document that evidence to achieve truly reliable financial information. On the basis of this paper, we would also like to suggest that the quality of a public sector entity's processes, controls and documentation should be addressed within the IPSASB's Conceptual Framework somewhere both to ensure reliability and also because the ability to obtain such accounting evidence is also a factor that needs to be taken into account by the IPSASB when considering new GPFR requirements. In addition, a recent report by PwC in the UK highlights the pressures facing financial reporting within the public sector, which are also factors which the IPSASB will need to bear in mind when setting robust standards capable of consistent application.	from it. Staff will follow up to gain a better understanding of this matter together with the proposal that the Framework address the quality of processes, controls and documentation. Staff note that coverage of "systems and control" in the Framework was also noted by another respondent.
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	A	We support the term 'faithful representation' on the basis that its use is consistent with the approach taken by the IASB. In our response to the consultation draft, which preceded this exposure draft, we set out our preference for 'reliability' over 'faithful representation'. However, our overarching consideration in supporting 'faithful representation' is consistency with the IASB's Conceptual Framework.	
014	A	The expression *"Faithful representation"* should be chosen, in order to avoid an unjustified departure from the IFRS.	
015	D		
016	C	We do not consider that the terms 'reliability' and 'faithful representation' are interchangeable as they embody different concepts. Both should be identified as qualitative characteristics. We support the principle of reliability, which is presently defined as "free from material error and bias, and can be depended on by users to represent faithfully that which it	Noted – It was not the Board's intention that faithful representation would be interpreted in this way – rather it was to, for example, faithfully represent the

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		purports to represent or could reasonably be expected to represent" (see BC3.10). In our view, faithful representation does not adequately focus on information representing what it purports to represent. Although the idea of 'what it purports to represent' appears in the first sentence of paragraph 3.10, it is not developed or discussed further, but is followed by a statement that appears to define faithful representation. There appears to be a risk that the concept of 'purports to represent' is lost by reading the definitional sentence in isolation. This can suggest that there is only one 'representationally faithful' representation of an asset or liability which is its fair value. We would disagree with this view especially where it is used to justify a 'mark to model' technique which often does not result in a useful number. In our view, it is inevitable that accounting can often only report a selected attribute of an asset or liability. For example, it may be representationally faithful for an asset to be stated at historical cost, which is a complete statement of its acquisition cost. This would not reflect other aspects of the asset, such as its fair value, but would reflect all that a historical measure purports to represent. The use of the term 'economic phenomenon' may be unhelpful as it can imply that there is only one true answer for any economic phenomenon, which we consider to be incorrect. For example, if there is an accounting policy choice available over the capitalisation of borrowing costs there will be two answers for one economic phenomenon – one which includes those costs in the carrying amount of the asset and one that does not. In many cases the economic phenomenon will be a transaction; it might be preferable to make this clear, by referring to a 'transaction or other economic event. In summary we suggest the *Framework* should include use of both reliability and faithful representation as qualitative characteristics provided that the discussion of faithful representation adequately encompasses 'what it purports to represent', and the use of 'economic phenomenon' is reconsidered.	measurement basis adopted (whether historical cost or current cost basis) and the particular attributes of the economic or other phenomena that are to be reflected in the GPFRs. Staff notes that some other responses also have expressed concern that faithful representation can be interpreted to lead to fair value measurement, and noted the need for both faithful representation and reliability. Staff will review drafting with a view to identifying wording that might lead to this interpretation.
017	D		
018	C	A qualitative characteristic of "reliability" should be used in lieu of "faithful representation" since the users of the financial information should be able to rely on the faithful representation of the information provided.	
019	D		
020	A	We agree with the view of the IPSASB because of the following reasons. It is necessary to replace the term "reliability", which has been used, with the term "faithful representation",	Noted – consider in drafting review.

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		being substantially the same concept, in order to be consistent with the term of used by the IASB. However, it should be clearly stated that "faithful representation" includes "substance over form" and "prudence", which are demanded by users of financial reporting, and are included in "reliability".	
021	A	All members agree with the use of the expression "faithful representation" instead of the term "reliability", as it is the term used by IFRS and as it is consistent with the terminology used in Canada in the conceptual framework for public sectors entities.	
022	C	In respect of 3(a) I think there is nothing to gain by replacing 'faithful representation' with reliability, given the use of that term in private sector conceptual frameworks of the IASB and national standard setters. I continue to hold concerns that 'faithful representation' may be used to support a 'fair value' approach to measurement which I believe to be inappropriate generally to public sector financial reporting. I drew attention in my comments on the CP of the importance of 'substance over form' and think that is dealt with satisfactorily in paragraph 3.10 as an element of 'faithful representation'. I am disappointed that the Board felt it necessary to relegate the concept of prudence from the exposure draft, but appreciate that it would be difficult to take a different view from that in the IASB framework.	Noted – others have also raised this concern re interpretation of faithful representation. See comments above.
023	A	The true and fair view is still to feature in the Conceptual Framework since it is one of the overarching qualities that financial reporting is to achieve or aspire to. The concept of faithful representation must have the overall objective of ensuring a true and fair view of the Department's financial and operational results and achievements. NAO agrees with the IPSASB that the term *faithful representation* should be used rather than the term *reliability* to describe the qualitative characteristic that is satisfied when the depiction of an economic or other phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon is also reliable. NAO also agrees that it is sufficient that the concept of substance over form and prudence be embedded in the notion of faithful representation and not identified as separate qualitative characteristics.	Noted – The Board considered the role of "true and fair" in developing the consultation paper #1 and this ED. The Board's view (para BC3.4) is that true and fair is an overarching quality derived from application of all the QCs and standards.
024	C	The use of "faithful representation" rather than "reliability" is not supported. It is suggested that "reliability" rather than "faithful representation" should be used. This will ensure consistency with the acceptability criteria set out in the International Standards on Auditing (ISAs). "Reliability" should be defined consistently with the definition in appendix 2 to ISA 210 *Agreeing the terms of audit engagements*: "Reliability - the information provided	Noted.

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		in the financial statements reflects the economic substance of events and transactions and not merely their legal form" Further, "faithful representation" and "reliability" do not automatically imply such information is "complete" and "neutral". Consequently, it is suggested that "completeness" and "neutrality" be added to the qualitative characteristics in the framework. This will again be consistent with the ISAs that list "completeness" and "neutrality" as separate criteria. In summary, it is suggested that "faithful representation" should be replaced with three separate characteristics of "reliability", "completeness" and "neutrality".	
025	A	We note the difficulties that IPSASB has identified with the use of the term 'reliability' in certain jurisdiction (BC 3.12). We also note that the IASB found a 'lack of common understanding of the term' (IASB: The conceptual framework for Financial Reporting 2010, BC3.23). We therefore agree with the use of 'faithful representation'.	
026	C	With regard to faithful representation, and in order to answer question (a), the CNOCP considers that a true and fair view is preferable to faithful representation. In fact, it is of the opinion that faithful representation does not imply a true representation but rather a sincere presentation of the financial statements. However, a sincere presentation is not sufficient in itself as it lacks the additional quality of being true. Thus, if a true and fair view conveys the idea that the presentation of the financial statements is sincere, it also enables a better representation of the economic reality of the public entity. This is why the CNOCP prefers the true and fair view to that of faithful representation. Moreover, the CNOCP considers that a true and fair view necessarily complies with the requirement of reliability, which is a condition for high quality accounting information. Lastly, the CNOCP believes that a true and fair view should be combined with, on the one hand, the requirement that substance should prevail over form, and on the other hand the principle of prudence, even if the CNOCP agrees that the latter should not be a main characteristic.	Noted – Others have also raised a similar point. Staff anticipates the Board would broadly agree with the qualities of true and fair identified here. As noted above the Board is of the view that True and Fair is an overarching quality derived from the QCs and IPSASs.
027	A	… we agree with 'faithful representation' rather than 'reliability'…	
028	D		
029	A	We therefore support the use of 'faithful representation' rather than 'reliability' and the classification of materiality as a constraint.	
030	D		

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
031	B	We do not believe that the term "faithful representation" is misleading. The term "representational faithfulness" is used to describe the overall qualitative characteristic of "reliability" in the Canadian public sector standards and thus either term with the proper supporting information contained in the proposed framework could be used interchangeably.	Noted
032	A	A new trend when presenting financial information is that relevance is weighted higher than other qualitative characteristics. This causes a conflict with the qualitative characteristic reliability, as relevant information not always is reliable. We therefore agree that the qualitative characteristic; faithful representation, should be used, rather than reliability.	
033	A	The province supports the qualitative characteristics proposed in the Exposure Draft except for one concern. Substance over form should be a separate qualitative characteristic. The province is concerned that incorporating substance over form within representational faithfulness results in a loss or degrading of the concept as demonstrated in a later Consultation Paper where the following statement is made "it would not be representationally faithful to report the value of the asset at an amount other than market price." The province supports the concept that the financial statements convey the government's decisions and the impact of those decisions on the financial operations and financial position of government. There is a sense in the Exposure Draft and the Consultation Papers that the standard setters see the role of financial statements as an independent assessment of government operations and financial position.	Concern re link to valuation basis noted. Others have also noted concern. See comments above. The Board has discussed substance over form extensively in preparation of CP#1 and the ED. Based on comments it has refined its explanation with some support. However, opposition to its positioning is noted
034	A	We therefore support the use of 'faithful representation': in this case we agree that the advantages of alignment are greater than the improvements that would be secured by IPSASB using "reliability".	
035	A	Agree. The Exposure Draft appears to contain circular reference where *faithful representation* of the economic phenomena is described as being *complete*, neutral and free of error (para. 3.10) whereas a depiction of phenomena is defined as *complete* when it includes all information for *faithful presentation* (para. 3.12). The Task Force feels that definitions of these terms should be improved to exclude circular references which decrease usefulness of definitions.	Point taken- Staff will consider in process of drafting review.
036	B	We do not agree with the proposal that; "Faithful representation" rather than "reliability" should be used in the Conceptual framework. The institutes believes that although the meaning of the two terms may have some commonality, they mean very different things.	Noted –others have also raised a similar concern. See staff comments above. The Board

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		Faithful representation is a softer notion which, when combined with a lack of specific identification of substance over form as a principle, could lead to a number of complications. Additionally, reliability may be seen as a broader notion than faithful representation. However, assuming the IASB will replace reliability with faithful representation; in that case IPSASB should also align with the IASB and use the same terminologies	had not intended that faithful representation would be a softer notion. Staff will review drafting of ED and BC with a view to overcoming this concern.
037	A	Nova Scotia is fine with the use of "faithful representation" rather than "reliability". The current wording is satisfactory however; if changes are required it is very important that the concept of "substance over form" not be lost. There have been some concerns raised that "substance over form" is not prevalent enough in the current exposure draft. Nova Scotia feels the language is fine however any change should serve to strengthen this concept within the framework.	Noted
038	A	As for the specific questions, we agree with the term "faithful representation" rather than reliability. We would like to ensure that the discussion about "information that faithfully represents an economic or other phenomenon, depicts the substance of the underlying transaction…which is not necessarily always the same as its legal form" remains in a final document. It is critical in our view that accounting reflects the substance of a transaction.	Noted
039	A	We support the use of the term 'faithful representation' in the Conceptual Framework, providing it remains consistent with the IASB Conceptual Framework.	
040	C	We disagree with this proposal. We believe that reliability should be retained as a feature of financial information. Indeed, reliable information is verifiable, comprehensive and neutral. These features allow the financial data to satisfy the accounting assertions supporting the financial statements. This is particularly true where financial statements are presented at historical cost. It should be noted that reliability is an objective concept in the same way as the concept of the primacy of substance over form. By contrast, faithful information might imply that market value is the most appropriate presentation for valuing assets, for example. This is despite the fact that according to the substance of the purpose for which the asset is acquired, historical cost is more appropriate. We therefore conclude that reliability is a concept in correlation with the primacy of substance over form and that this feature should replace faithful representation, which instead is an overall objective for all of the information presented in the financial statements. Moreover, reliability and relevance are also qualitative characteristics that should take precedence over all others.	Noted –others have also raised a similar concern. See staff comments above. It was not intended that faithful representation would be interpreted in this way. Observations regarding fundamental nature of reliability and relevance also noted.

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
041	A	In respect of (a) we support the use of faithful representation as a qualitative characteristic. We support the use of this term in the IASB Framework, the use of consistent terminology in the IPSASB's Framework and note the IPSASB's consideration of the matters outlined in the Basis for Conclusions (paragraphs 3.10 to 3.13).	
042	D		
043	D		
044	A	… support… the use of 'faithful representation' in place of 'reliability'.	
045	A	Yes – we agree.	
046	A	The AASB supports using faithful representation instead of reliability as a qualitative characteristic. Consistent with its view outlined in the covering letter, the AASB supports the use of terminology that is consistent with the IASB Conceptual Framework because, in this case, there is not a public sector specific reason for the IPSASB's Conceptual Framework to differ from the revised IASB Conceptual Framework.	
047	C	In our opinion, "faithful representation" should not be used rather than "reliability" or "true and fair view" in the Conceptual Framework to describe the qualitative characteristic that is satisfied when the depiction of an economic or other phenomenon is complete, neutral, and free from material error. Actually, the DGFiP considers that adopting "faithful representation" seems to imply a weakening of the requirement for sincerity of financial statements. As a consequence, we wish to keep "true and fair view" as a qualitative characteristic of financial statements. "True and fair view" represents a more demanding objective that has to be pursued, even though it may be difficult to achieve. In France, this demand for reliability of financial statements is sanctified by the Constitution whose article 47-2 states that: "*financial statements of public sector entities are correct and sincere. They present a true and fair view of their income, their assets and their financial situation"*.	Noted –others have also raised a similar concerns. See staff comments above. The Board had not intended that faithful representation would be a weakening of the notion. Staff will review drafting of ED and BC with a view to overcoming this concern. Staff is also of view that true and fair is an overarching quality – see comments above.
048	D		
049	C	Regarding the link with the term "reliability" employed by IPSAS 1 (BC 3.10 to BC 3.13), the framework draft considers that the term faithful representation poses fewer problems of interpretation and is broader to designate a globally faithful image of the economic phenomena we wish to depict. The Court of Auditors regrets the replacement of the more thorough conception used in IPSAS 1. *Faithfull Representation*… supposes, in particular, exhaustiveness (BC 3.9), neutrality and	Noted –others have also raised a similar concerns. See staff comments above.

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		absence of significant error (3.14, 3.16 and BC 3.9), but the draft turns these into relative concepts owing to the broad nature of the items of financial reporting it focuses upon (most notably prospective information). This must not lead to any undermining of the exacting requirements made upon financial statements in the strict sense of the term (see above)…. Furthermore, and still with this same characteristic, the question is raised over the attributes of substance superior to form and of caution (BC 3.14 to BC 3.17). It is explained (3.15) that substance superior to form is a component of faithful representation. For caution, the draft says that this is an attribute of neutrality (3.17), itself included under faithful representation. In this respect, the Court of Auditors reiterates its robust attachment to the principle of caution, which figures hardly at all in the body of the draft (only 3.14 states that "caution will need to be exercised when dealing with uncertainty") as a component of faithful representation. However, this principle is key when looking to evaluate the liabilities and assets of a public entity, all the more so when examining sustainability. In keeping with the preferred option of a "balance-sheet" model or, at the very least, a "mixed model" making it possible to retrace rights and obligation over and above flows (cf. introduction and the response from the Court of Auditors to the IPSAS NO.2 consultation document for the conceptual framework), it would appear essential to retain the principle of caution. Paragraph 3.15 should be reinforced in this respect, and the same should apply to 3.16 on the question of estimations.	
050	A	We agree with the use of the term 'faithful representation' rather than 'reliability'. In our view, the term 'faithful representation' is more strongly aligned with the substance of a transaction or other event than 'reliability'. 'Reliability' appears to be a narrower concept. We see the term 'faithful representation' encompassing the concept of 'reliability'. However, we do not see 'reliability' as necessarily encapsulating 'faithful representation'. Also, we think that 'faithful representation' is consistent with the need for an entity to tell its overall performance story.	
051	D		
052	A	Part (a), we agree that "faithful representation" is more appropriate than "reliability" as "reliability" may imply a specific threshold for when information is reliable or not. "Faithful representation" is a better indication of the judgment that should be applied in preparing and presenting information. We consider that if an item is faithfully represented in the GPFRs, it should also be reliable. The Framework as currently drafted refers to "free from material error". It is unclear whether "reliability" is implicit in "free from material error". If yes, it might be useful to note this in the Framework. It should also be noted that	Noted – staff will follow up with IAASB staff re linkage to use of reliability in ISAs

R#	CATE-GORY	SMC 3(a) - "FAITHFUL REPRESENTATION" OR "RELIABILITY"	STAFF COMMENT
		"reliability" is an audit assertion in the International Standards on Auditing, and it may therefore be necessary to acknowledge how reliability from an audit perspective relates to "faithful representation" in the Framework.	
053	B	Generally, I concur except that reliability can be a more important goal in certain scientific applications. Accrual does reflect transaction recognition in a more realistic way. i.e. upon occurrence. Faithful representation is the chosen higher order goal; however, reliance may be more important in specific circumstances where management cannot be wrong or where government regulators cannot be wrong. i.e. The public interest or public welfare is at stake. For instance, the BP oil spill involved running the engineering equipment beyond capacity or at or near 110% of normal capacity. Faithful representation will have examined the process of running the equipment and not the act of running the equipment beyond the design capacity. The recent Daiichi Nuclear Power Plant disaster happened because the engineering design could not withstand a 9.0 earthquake; therefore, radiation spills happened which would not have been the case if the engineering tolerances had never been reached. *[Staff comment: Respondent provides additional examples where applications of the notion of reliability is applicable.]*	Note - general agreement but that respondent does see a role for reliability in certain circumstances.
054	A	We are not concerned that reliability has been left out. The characteristics of faithful representation and verifiability, combined together, provide users with reliable financial information.	

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.
More Detailed Comments on Relevance

R#	SMC 3 - COMMENTS ON RELEVANCE	STAFF COMMENT
016	We agree that any information provided in GPFRs must be relevant in achieving the objectives of accountability and/or decision making. We further agree that such information must also have either a confirmatory and/or predictive value.	
015	According to the framework, information is considered relevant if it has confirmatory value, predictive value, or both. Confirmatory value is when information confirms or changes past or present expectations. Predictive value is when information provides information about the future. In Islamic countries they are not focused on what information has confirmatory and predictive value. Relevant information is considered to be all information, in other words, full disclosure. This is partly because they believe every individuals information needs should be met, and for this to occur, full disclosure is necessary.	Noted.
023	NAO agrees that financial and non-financial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting and in the decisions made by users. NAO also agrees that financial and non-financial information is capable of making a difference when it has confirmatory value, predictive value, or both.	
045	In the Canadian Public Sector Accounting (PSA) Handbook, we define information to be relevant if it has predictive, feedback (i.e., confirmatory) and accountability value. Even though the IPSASB ED states that the objectives of financial reporting are to provide information useful for accountability and decision-making purposes, we still believe that accountability value must also be separately articulated in the description of "relevance" in the qualitative characteristics. The PSA Handbook describes accountability value as follows: *(Respondent includes the relevant extract of the IPSASB Handbook)* We ask that the IPSASB give consideration to the inclusion of "accountability value" in the more detailed description of relevance that includes the elaborations on predictive and confirmatory value. We believe accountability value needs to be a specifically articulated check on whether information considered for inclusion in GPFSs and GPFRs should be included in the report. One of the key uses of information in the public sector is for demonstrating accountability. The idea of accountability value currently seems to be subsumed under confirmatory value in paragraph 3.7 and we do not believe that this is appropriate.	Others have also expressed a similar view. Staff view is that this does not signal a substantive departure from the Board view. Because QCs are attributes that make information useful and support achievement of the objectives, which explicitly include accountability – consequently information must be relevant for accountability (and decision making) purposes. Consider if further clarification is necessary in drafting review.
049	Refer to Para. 3.6 and BC 3.5 - In substance, the definition overlaps with that of IPSAS 1 and poses no problem, but the first sentence of the two cited paragraphs is not easily understandable.	Noted – consider in drafting review

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.
More Detailed Comments on Understandability

R#	SMC 3 – COMMENTS ON UNDERSTANDABILITY	STAFF COMMENT
016	We agree that understandability is a qualitative characteristic that information should possess.	
023	NAO agrees that information in GPFRs is to be presented in a comprehensible format. Complex information is also to be included in GPFRs, however, it should be presented in a way that is understandable to a wide range of users.	
026	The CNOCP has no specific comments on the qualitative characteristics of …. Understandability….	
049	no problem in principle	
052	While the same information may be relevant to a wide group of users, the volume, detail and complexity of the information may need to be tailored to make information understandable to certain user groups. For example, it may be appropriate to produce concise, simple information to ensure that citizens are able to understand information included in the GPFRs (e.g. the preparation of a citizens' guide to the financial results). It may therefore be important to acknowledge that while a certain level of user is assumed in formulating requirements for GPFRs and GPFSs, it may be necessary to present information in different ways to ensure that the information is understandable to specific user groups. This acknowledgment may be included in the section or phase of the Framework dealing with "presentation".	Point noted – will consider in drafting review and also follow up with staff developing presentation phase of Framework.

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.
More Detailed Comments on Timeliness

R#	SMC 3 – COMMENTS ON TIMELINESS	STAFF COMMENT
001	We note the Framework's comments that a lack of Timeliness makes information less useful. However, we believe that producing information, even if late, may be better for the users of information than giving no information at all or unreliable information. An auditor would not qualify an audit opinion because information is late, if that information remains robust and in compliance with authoritative standards. As such we might describe Timeliness as a constraint as well as an enhancing characteristic of information in GPFR, as the speed of provision of financial information may be a trade off with the reliability of that information.	Noted. Timeliness is identified as a constraint in IPSAS 1 Appendix A. Staff view is that this observation is not contrary to explanation in para 3.19- 3.20 and is, in substance acknowledged, in recognition of the need for balance between QCs which is identified as a constraint.
016	We agree that timeliness is a qualitative characteristic that information should possess.	
020	Generally, it is more difficult for users of financial reporting of public sector entities to obtain timely financial information compared to users of financial reporting of companies. Therefore, statements concerning timeliness should include not only the preparation of financial reporting by public sector entities in a timely manner, but also delivery of the financial reporting to various users.	Noted –Staff anticipate this encompassed in explanation in para 3.19 that information "should be available for users". But will consider as review drafting of QCs.
022	I support the view that Timeliness is a qualitative characteristic. A long delay in the publication of public sector financial reports after the entity's financial year end reduces significantly the value of such reports for accountability and decision-making purposes.	
023	NAO agrees that timeliness is an important qualitative characteristic as it renders information more useful rather than a constraint on relevant and reliable information. NAO also concurs with the IPSASB's opinion that some items of information may continue to be useful long after the reporting period or reporting date such as determining the effects of some service delivery programmes.	
026	The CNOCP has no specific comments on the qualitative characteristics of … timelines.	
038	We feel that timeliness is truly a subset of relevance and would suggest combining the detail under the "relevance" subheading.	Linkages noted. Goes to balance between QCs, whether more timely enhances relevance and relevance is an overarching QC. Consider as review QCs.
049	No problems in principle	

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.
More Detailed Comments on Comparability

R#	CATE-GORY	SMC 3 – COMMENTS ON COMPARABILITY	STAFF COMMENT
016	A	We agree that comparability is a qualitative characteristic that information should possess.	
020	B	With regard to comparability, in a country or jurisdiction where implementation of the accrual basis of accounting is in progress comparability of financial information in the public sector within the country or jurisdiction is poor. Therefore, comparability with public sectors providing similar services in other countries and jurisdictions and comparability with different public sector entities in a country or jurisdiction should also be mentioned.	Noted –will consider whether para 3.24 requires further comment in drafting review of QC's.
023	A	NAO agrees that comparability is a qualitative characteristic. NAO also concurs with the distinction identified in the Conceptual Framework between comparability, consistency and uniformity. Moreover, NAO agrees that information on a Government Department's results can be rendered more useful if it can be compared to the budget for that entity, results for the same Department pertaining to previous years, and similar information relating to other entities.	
024	B	Paragraph 3.22 states that "comparability differs from consistency". In order to make it clear that "comparability" and "consistency" are not the same it is suggested that either the heading to paragraphs 3.21 – 3.25 be amended to "Comparability and consistency" or that a separate qualitative characteristic for "consistency" be added.	Noted – will consider in drafting review of QCs
026	B	The CNOCP wishes to make a distinction between the comparison of different periods for the same entity and the comparison of the accounts of different entities. The CNOCP considers that consistent application of accounting policies throughout time is a condition for achieving comparability between periods for the same entity, whilst the application of coherent accounting policies is a condition for cross-country comparability. However, the consistent application of accounting policies should not prevent the true representation of transactions. As a result, changes in accounting policies are possible but must be documented. In the same way, the requirement for comparability should not prevent the accounting representation of each entity's business model.	Noted – Staff is of view that this also reflects the Board view. Agree case for refinement to further o clarify this message in drafting review of QCs.
047	B	We think that the characteristic of comparability, which demands homogeneous standards over time, should be clarified. In our opinion, the demand for stable accounting methods in order to compare financial statements from period to period should not lead to prohibit changes in accounting methods.	Noted – Staff view is this also reflects the Board view. Will consider whether clarification is necessary as review QCs
049	A	No problems in principle	

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.
More Detailed Comments on Verifiability

R#	SMC 3 - COMMENTS ON VERIFIABILITY	STAFF COMMENT
001	The Framework, rightly, describes Verifiability as a quality of information that helps assure users that information in GPFRs faithfully represents the phenomena that it purports to represent. We agree with the inclusion of this characteristic in the Framework. However, we would raise the issue that the further the GPFR broadens its remit away from financial statement information, the more difficult it becomes for the information to meet this Verifiability characteristic. We believe that users will look to state auditors and external audit firms to opine over the financial statements included in GPFR, and also may expect some assurance regarding the reasonableness of assumptions utilized in the preparation of information, whether prospective or historic. We would therefore re-iterate that we would welcome guidance from IPSASB as to how the characteristic of verifiability relates to the wider information outside financial statements, as provided within the Framework's GPFR, upon which users may form their own judgments.	Point noted – Board intends that explanation be included at standards level if/when IPSASs/guidance is developed
003	There is a need for the Framework to acknowledge in broad terms that different levels of verifiability/assurance are required for the various types of information contained in GPFRs (e.g. financial statements information to be fully audited; fiscal sustainability reports, requiring a lower level of assurance as these include forecasts/estimates). As mentioned above, HoTARAC is of the view that it is not appropriate for the Framework to provide detailed guidance on this matter, rather this would be better dealt with at a standard level. At most, the Framework could include indicative factors of verifiability (similar to the exposure draft proposal regarding "faithful representation").	This point has also been raised by others under different heads. Staff agree that acknowledgement of the issues around verifiability should be considered in relevant projects. Staff will follow up with IAASB re role of IPSASB/IASB and regulatory Framework to establish the "assurance" response.
016	Although we have no specific concerns with the use of the term 'verifiability' we note that it is a difficult concept to use in relation to prospective information. Therefore we suggest that a term such as 'supportability' be used instead as it is wider in concept and can be applied to both past and forward-looking information.	Noted – This has been considered previously by the Board (for example, in the consultation paper). Will consider as review QCs.
023	NAO is of the opinion that verifiability should form part of faithful representation since it is one of the qualities that ensures that information is fully complete, neutral, and free from material error.	Relationship acknowledged. Establishment as separate QC was to acknowledge that verifiability is not an absolute. Will consider as review QCs.

R#	SMC 3 - COMMENTS ON VERIFIABILITY	STAFF COMMENT
026	The CNOCP has no specific comments on the qualitative characteristics of… verifiability.	
049	The Court of Auditors observes that the draft is very hard pushed to define this characteristic (which is confused with "supportability") as acknowledged under BC 3.26. In fact, the understanding is that this is operative only for financial information other than financial statements in the strict sense of the term (3.26 and 3.31). It should be necessary to clarify the exact scope of this characteristic, the appeal of which lies only with non-accounting information.	Noted. Staff agree that the intent is that application/interpretation of verifiability will be considered as projects dealing with broader scope issues are developed.
054	… *relevance and timeliness of information on service delivery achievements*…"is paramount and usually maximized at the expense of verifiability. The lack of verifiability makes it impossible to audit the information in GPFR"	Noted

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.

SMC 3(b) - should materiality be classified as a constraint on information that is included in GPFRs or as an entity-specific component of relevance

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) CLASSIFY AS CONSTRAINT	**21**	**53%**
(B) CLASSIFY AS ENTITY SPECIFIC ASPECT OF RELEVANCE	**19**	**48%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***40***	***100%***
(D) DID NOT COMMENT	**14**	
TOTAL	**54**	

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
001	B	We do not disagree with the inclusion of the concept of materiality in the Framework, but believe that materiality should be discussed in the context of the application of the Framework as each entity produces its own GPFR. Therefore, we believe materiality would be better described as an entity-specific aspect of relevance.	Note view that is an entity specific notion
002	B	ACAG considers materiality to be an aspect of relevant information instead of a reporting constraint. When considering qualitative characteristics preparers should consider material transactions as having greater relevance for users. In contrast, transactions which are considered immaterial are likely to be considered less important for users and therefore assigned a lower relevance. Although the concept of materiality could be applied to several qualitative characteristics, the qualitative characteristics should not be seen in isolation. Characterising materiality as an aspect of relevance does not preclude its consideration in regards to the remaining qualitative characteristics.	Respondent notes that classifying materiality as a component of relevance does not preclude its consideration re other QCs. The Board does not propose a fundamental/enhancing classification or hierarchy of QCs – in that context, consider inclusion of this type of observation.
003	B	HoTARAC is of the view that materiality should be classified as an entity-specific component of relevance, consistent with the IASB Framework. The literal interpretation of "constraint" is a limitation or restriction. This is not the case with "materiality" – it relates instead to the relative usefulness of information. As explained in the IASB's Framework, "the relevance of information is affected by its nature and materiality". Also, as explained in the AASB's standard AASB 1031 *Materiality*, "materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial statements, and their information needs". HoTARAC cannot identify any reason why these views are not applicable in a public sector context; hence, the concept of materiality is better classified as an entity-specific	Staff notes that members have different views, classified as B here because this reflects majority view.

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
		component of relevance. Conversely, a minority in HoTARAC agrees that materiality should be classified as a constraint on information.	
004	B	Materiality is a complex relationship as it acts both a pervasive constraint for the external audit of financial information contained within GPFS as well as a component of relevance for meeting accountability reporting to the public. Materiality definition should recognize the objectives and purpose of general purpose financial statements that are prepared for the primary users, and not just as a cost benefit compromise to providing the information needed by all users. Materiality is particularly significant in the presentation and disclosure and must align to the needs of the primary users. Generally, when the information needed is of interest to a significant number of users which may be more specific than what is needed by a general user, it will be made available outside the GPFS as determined by the government.	Staff is of view that observations regarding materiality definition are not inconsistent with Board view. Point taken re potential for materiality to be perceived differently from an audit perspective, but in respect of compiling GPFS is related to relevance.
005	D	*Staff comment: Overall response notes support for ED and all SMCs, but no comment on which classification is supported.*	
006	B	We believe materiality should be treated as an entity-specific aspect of relevance, rather than as a constraint on reporting useful information. Again, we do not see any justifiable public sector-specific reason for departure from the IASB.	
007	A	In response to requested comment, it is our position that materiality is viewed to be more appropriate as a constraint on information than an entity-specific component of relevance. It is perception within the accounting profession in Canada that materiality is a matter of professional judgment and a consideration in determining if an event or transaction should be subject to public sector accounting standards and guidelines. In this regard, it is our view that it should be considered in relation to all qualitative characteristics and not just from the perspective of relevance. It should be given the same consideration as cost-benefit in relation to determining if an event or transaction would be considered significant by the primary users of financial statements in making assessments and judgments.	Noted – reflects view in ED
008	A	We believe materiality is appropriately classified as a constraint on information. We believe that IPSASB should also consider discussing the qualitative characteristics of the GPFRs themselves, such as readability, conciseness, structure and integration. Overall, GPFRs should contain information that is considered “useful” by readers.	Noted. Staff had anticipated that these characteristics were embraced by “understandability" and the overarching focus that GPFRs provide useful information.

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
			Consider if more detail is required in QC review
009	D		
010	A	Basic qualitative characteristics are broad enough to make all the information to be represented fairly for decision making and accountability purpose. By including "Materiality" as constraint on information serves as extra emphasis on its important.	
011	B	We agree with this approach. In particular, as the recent Discussion Paper "The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications" by the IAASB indicates, recent trends for increasingly copious notes to the financial statements have resulted in a lack of understandability of GPFS, in part because there is often a tendency in practice on the part of preparers to include disclosures even though they may not be material.	Staff has followed up to clarify classification of this response.
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	B	With regard to the approach towards materiality, we would favour the classification of materiality as a specific component of relevance rather than a constraint on information. We are not convinced by the material in the basis of conclusions for treating materiality as a constraint.	
014	A	Materiality is an important criterion and should relate to the nature and the amount of the caption. It should be laid down in the Conceptual Framework, but cannot be exhaustively defined.	Staff note respondent reflects a view that materiality may impact a number of QCs
015	D		
016	B	Materiality is an entity-specific component of relevance, because what is material to one entity may not be material to another, therefore it is for the preparers of GPFRs to make this determination. We agree with the IASB that a CF cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.	Noted. However, staff view is that that classification as a constraint was not intended to preclude consideration of QCs on an entity basis (see para 3.32).
017	D		
018	A	Materiality should be kept separate as a constraint on the qualitative characteristics in lieu of inclusion under relevance since a balance must be maintained between the cost/benefit decision to assure that the financial information can be relied upon.	

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
019	D		
020	B	Materiality should be classified as an entity-specific component of relevance because of the following reason. Materiality of information is determined based on whether or not omission or misstatement of the information affects the decision-making of users, or fulfillment of accountability by preparers of financial statements, which shows that materiality and relevance are closely related. Materiality should not be treated in the same way as other qualitative characteristics, as stated in BC3.32.	
021	B	Members believe that identifying materiality as a constraint, negates the achievement of the objective of GPFRs. In fact, doing so can promote the view that only the material information needs to be disclosed correctly, which they believe is inappropriate. In there view, materiality belongs more to the definition of relevance than being a constraint. They noticed that materiality has been included in the definition of reliability in the IFRS and that it should be the same in the GPFRs.	Staff takes point that classification as a constraint may be interpreted as excluding information that may be relevant. Consider as discuss this matter.
022	A	In respect of 3(b) I see materiality as a general constraint on inclusion of information in financial statements. However, the concept is applied in practice in an entity-specific manner. I therefore support the treatment in the exposure draft, but suspect that whatever treatment is adopted here will have little effect on its application in practice.	Staff is of view that observation that it will be applied in entity specific way is not inconsistent with intent of Board.
023	B	NAO opines that materiality should be identified as an entity-specific aspect of relevance based on the nature and/or magnitude, of the items to which the information relates in the context of an individual entity's GPFR rather than as a constraint. In order for information to be relevant, it must include all material items.	
024	A	Elevating the prominence of "materiality" by including it as a separate criterion and not as a component of "relevance" is supported….	
025	B	We consider that materiality can be regarded as either: • a constraint on information, in that below a certain threshold (the materiality level) it may not be practical or cost effective to: - provide discrete information on financial transactions and balances; - ensure that the financial reports are free from misstatements; - apply accounting standards to financial transactions and balances; or • a qualitative characteristic, being linked to the 'relevance' characteristic, requiring financial reports to concentrate on items that could influence users of the accounts, by excluding extraneous detail that is not relevant to the needs of users.	

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
		We consider that if materiality is considered as a constraint, there is a risk that compilers of accounting standards and/or practitioners may seek to 'overcome' the constraint which may result in financial reports containing superfluous detail. Conversely if materiality is considered to be an entity-specific component of 'relevance' it results in a more neutral and objective to materiality, which is more consistent with 'faithful representation'. We therefore consider materiality to be an entity-specific component of 'relevance'.	
026	A	More specifically, with regard to the question raised in point (b), the CNOCP is in favour of introducing materiality as a constraint on the financial statements.	
027	A	Therefore, we agree with… the classification of materiality as a constraint.	
028	D		
029	A	We therefore support the …. classification of materiality as a constraint.	
030	D		
031	A	We agree that materiality is a broad concept that can potentially impact all qualitative characteristics and aspects of financial reporting and should be left as a general constraint on information. The Board should emphasize that materiality is a matter of professional judgment and both the amount and nature of item must be weighed against the particular circumstances of the entity.	Noted. Staff had anticipated that para 3.32 reflected these matters. Consider further emphasis in drafting review.
032	D		
033	D		
034	B	In the response to IPSASB's 2008 Consultation Paper, we also supported the classification of materiality as a constraint while asking for additional discussion of context. Additional discussion of the contextual aspects of materiality is provided in the ED and this is very helpful. The articulation of materiality as a constraint is in line with the similar proposal in the IASB/FASB joint Exposure Draft issued in 2008, which echoed the then current FASB Concepts Statement. As noted at Appendix 3A of IPSASB CF ED 1, the IASB in September 2010 published a revised chapter on Qualitative Characteristics which articulated materiality as an entity specific component of Relevance, and moved this material from the 'constraints' discussion to the section on fundamental qualitative	Staff note point re interaction between materiality as a component of relevance and cost-benefit re standards setting. Others have also noted that while classified as a component of relevance, may also interact with other components.

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
		characteristics. FASB made similar changes in their Concepts Statement No. 8. We would agree with the suggestion that materiality is an entity specific component of relevance, but we would note that perhaps a key aspect of how it is applied to standard setting is when considering constraints on financial reporting, particularly the cost-benefit constraint.	
035	B	We note that materiality is proposed to be classified as a constraint rather than a qualitative characteristic as currently defined by Appendix A to IPSAS 1, whereas timeliness is proposed to be re-designated as a qualitative characteristic rather then a constraint as currently defined by the same appendix to IPSAS 1. Furthermore, the Food and Agriculture Organization (FAO), a member of the Task Force, recognizes the fact that materiality could be considered a constraint on information that is included in GPFRs but concurs with current classification of materiality as a qualitative characteristic as defined in Appendix A of IPSAS 1. A key factor in determining the relevance of financial information is its materiality, examined from both qualitative and quantitative perspectives.	Staff notes that member of this group concurs with current classification in IPSAS 1 as a component of relevance.
036	A	We do agree with the IPSASB's view that materiality relates to, and can impact, a number of the qualitative characteristics of information included in GPFRs, and is therefore better reflected as a broad constraint.	
037	A	Nova Scotia is in agreement with including materiality as a stand-alone constraint on information to be included rather than as a component of relevance. This is a critical concept in financial statement presentation that should be addressed as its own concept in the conceptual framework.	
038	A	We agree that materiality should be classified as a constraint on information that is included in GPFRs rather than as an entity-specific component of relevance.	
039	A	We agree that 'materiality' should be classified as a constraint on information that is included in GPFRs, but that decisions on materiality are entity specific and related to the context and nature of the disclosures. Thus, it is difficult to see materiality applying at the conceptual and standards setting levels, other than as a pervasive principle (or constraint).	
040	B	We are of the view that materiality should be classified as a component of relevance. Materiality should not be considered as a constraint regarding the information to be included in financial reports or not. Accordingly, it should not be a limit on the presentation of financial information. Rather, materiality is an aspect of relevance since	

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
		financial information is material if its omission or its inaccuracy could influence the decisions of users. Indeed, in this regard, IFRS specify that relative importance is an aspect of relevance.	
041	B	In respect of (b) we consider that the IPSASB Framework should treat materiality as an entity-specific aspect of relevance, rather than as a constraint on reporting useful information. We are not clear as to how the concept of materiality as a constraint will be operationalised (i) in the standard setting process and (ii) in conjunction with the concepts of relevance, faithful representation and understandability.	
042	D		
043	D		
044	B	Finally, as we understand materiality as an entity-specific consideration, we agree with the IASB/FASB that it is best described as an aspect of relevance and not as a constraint on information that is included in GPFRs for the reason that immaterial information does not affect a user's decision.	
045	A	Yes – we agree.	Staff has confirmed classification of this response.
046	B	The AASB does not support treating materiality as a constraint on reporting useful information in general purpose financial reports. Consistent with the IASB's revised Conceptual Framework, the AASB considers materiality to be an entity-specific aspect of relevance. This is because, unlike cost, materiality is not a constraint on a reporting entity's ability to report information; and materiality does not affect standard setters' decisions because it is an entity-specific consideration. The AASB does not support the IPSASB's reasoning for treating materiality as a constraint set out in paragraph BC3.32 of the ED's Basis for Conclusions. The AASB considers that, if an item of information is irrelevant, meeting the other qualitative characteristics does not make it useful.	
047	A	As stated in the ED, financial statements abide by three constraints: the cost-benefit ratio, the balance between the different qualitative characteristics and materiality. We agree with the specific item set out by the ED that materiality should be introduced as one of the constraints put on financial statements. Indeed, a piece of information with a very specific nature or associated to high financial stakes should necessarily be released to	

R#	CATE-GORY	SMC 3(b) - MATERIALITY AS A CONSTRAINT OR an ASPECT OF RELEVANCE	STAFF COMMENT
		the readers of financial statements.	
048	D		
049	A	The Court of Auditors has no observation to make as to the two constraints recognised in the production of financial information, namely significativity and cost-to-profit ratio (3.32 to 3.39 and BC 3.30 to 3.37).	
050	B	We consider that materiality should be classified as an entity-specific component of relevance because material information is likely to be of higher relevance to users than immaterial information. We acknowledge that materiality relates to, and can impact, a number of the qualitative characteristics of information included in GPFRs. However, we consider materiality to more appropriately link with relevance. We note that classifying materiality as an entity-specific component of relevance is also consistent with the IASB approach.	
051	D	*No specific comment on classification of materiality.* *Staff comment: Respondent notes the significance of materiality with respect to the Consultation Paper*: the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements, because the decision …can impact materiality, *and the need for an exposure draft to* develop that explanation.	
052	A	Part (b) we are of the view that all three constraints, cost-benefit, materiality and tradeoffs between the QCs should be considered by the IPSASB in developing requirements for GPFSs and GPFRs, but should also be considered by preparers in applying the requirements at a standards-level. We are of the view that consideration of the constraints at a standard-setting level would result in only relevant information being provided for accountability and decision-making. We are of the view that because there are strong inter-relationships between the constraints, all three should be considered at both a standard-setting and application level. It is however critical that, in applying the constraints, sufficient consideration is given to all the qualitative characteristics.	Noted – Staff is of the view that this is not inconsistent with the current designation, and the Board's view on the interaction of the QCs and constraints as reflected in the ED.
053	D		
054	A	We agree with IPSASB's that materiality and cost-benefit are both constraints on information included in GPFS.	

SMC 3: Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities.

(I) Constraints – Comments on Cost-Benefit

R#	SMC 3 - (I) COMMENTS ON COST- BENEFIT	STAFF COMMENT
003	The IPSASB has determined that the Framework will not deal with issues related to differential reporting (paragraph BC3.36). However, HoTARAC believes it is important to include in the Conceptual Framework an acknowledgment of the existence of different information needs of users' of GPFRs. This would provide a basis for the development of IPSASs on differential reporting as and when required. This is consistent with HoTARAC's previous remark on the Consultation Paper that "consideration needs to be given to the fact that in some circumstances a restricted or differential form of GPFRs may be adequate to meet the objectives". HoTARAC is of the view that there are arguments to support differential reporting based on the different information needs of dependent GPFRs users for certain smaller entities. HoTARAC also notes that it previously expressed concerns around "the resources available to the entity" in preparing GPFRs. HoTARAC believes that the emphasis should be on user needs in the context of the reporting entity concerned, whilst also factoring in cost/benefit considerations.	Noted- Differential reporting also raised by another respondent in this context. See 030 below.
014	The cost-benefit question is to be accorded great weight in drawing up new Standards. It appears very important to accord the necessary importance to the cost-benefit question. If the users of IPSASs are of the opinion that the implementation of new standards results in excessive costs, the entire use of the IPSASs is at risk (see also 3.1). The SRS-CSPCP therefore proposes that, when comments on a new Standard or Recommendation (*non-authoritative guideline*) are requested, the cost-benefit question is specifically raised in the *Specific Matters for Comment*.	Noted. Staff is of the view that there is merit in this proposal. Follow-up at the standards/guidance level.
023	NAO agrees with the IPSASB that disclosure and other requirements which result in the presentation of information useful to users of GPFRs for accountability and decision-making purposes and satisfy the qualitative characteristics are to be prescribed by IPSASs unless the cost of compliance with those requirements are assessed by the IPSASB to be greater than their benefits.	
024	The discussion on "cost-benefit" is not clear enough on the following two issues: It should be stressed that the "cost-benefit" assessment is made by the IPSASB in drafting the standards; it is not an assessment made by the entity in deciding what to include or	Noted- staff is of the view that this is not inconsistent with the Board's view. Consider as Board moves to

R#	SMC 3 - (I) COMMENTS ON COST- BENEFIT	STAFF COMMENT
	exclude from the GPFR. It should be emphasized that "cost-benefit" is assessed primarily from the users' perspective, not the entity's, as service recipients and resource providers ultimately bear the cost of providing information in the GPFR (paragraph 3.36).	review "delivery" of the message intended.
030	Cost benefit trade-offs may differ between entities (BC3.36) - The IPSASB in this paragraph notes it has determined that the Conceptual Framework will not deal with issues related to differential reporting. It has made this decision in response to the Treasury and other submitters' concern that a lack of acknowledgement that cost-benefit trade-offs may differ between different public sector entities, and that this may be a useful principle to be applied when considering differential reporting issues. Treasury was not seeking that the IPSASB deal with issues related to differential reporting in the Conceptual Framework. Rather, we are seeking they be acknowledged, so that they may be considered at some future time. Without such an acknowledgement, it is not possible for the IPSASB to ever consider a differential reporting approach within its framework. Treasury is therefore concerned that by taking this approach, the IPSASB is signalling it will never deal with this issue, rather than signalling, as we believe was intended, that it will not deal with this issue now.	Point taken – Staff agree that cost – benefit assessments may differ for different entities. Staff of view that this not precluded by explanation of 3.34-3.39, and the Board's intent at BC 3.36was to clarify that it did not wish to deal with differential reporting issues at the Framework level. Board should revisit paragraph BC3.36 and confirm or otherwise its view and consider whether wording of last sentence does capture the intent.
045	Paragraphs 3.39 and BC 3.1 (as well as other paragraphs) indicate that the IPSASB will consider the cost-benefit of standards as they are developed and only include those for which compliance will not cost more than expected benefits realized. We are concerned with the implication that this constraint will only be tested up front in finalizing a standard. The PSA Handbook considers this constraint to apply for standard setters in developing standards and for preparers in considering disclosures beyond that required by GAAP. The relevant paragraph is as follows: .22 The benefits expected to arise from providing information in financial statements should exceed the cost of doing so. This constraint also applies to the development of accounting standards by the Board. It is also a consideration when preparing financial statements in accordance with those standards (for example, in considering disclosure of information beyond that required by the standards). The Board recognizes that the benefits and costs may accrue to different parties and that the evaluation of the nature and amount of benefits and costs is substantially a judgmental process. We would ask that the IPSASB explicitly consider broadening the application of the cost-	Staff agrees that cost-benefit considerations have a role in assessing disclosures "beyond that identified by GAAP" as noted by this respondent. Consider elaboration and explanation around para BC 3.35 to clarify this point. Staff does not believe inclusion of commentary or examples that may be interpreted as providing that cost-benefit should be considered in determining whether to comply with the requirements of an IPSAS is consistent with the Board's view.

R#	SMC 3 - (I) COMMENTS ON COST- BENEFIT	STAFF COMMENT
	benefit constraint as described above.	
052	The Consultation Paper notes the following: • "Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs or benefits of information included in GPFRs". [Paragraph 3.34] • "The application of cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information". [Paragraph 3.38] As governments and public sector entities act in the public interest, the measurement of "benefit" may be theoretical and subjective. Where the IPSASB believes that it should require certain GPFRs (or individual requirements within GPFRs) because it is in the public interest and contributes to the objectives of financial reporting, it may be necessary to forego a cost-benefit analysis. To ensure that the pronouncements issued by the IPSASB (and requirements in individual pronouncements) are not constantly questioned on the basis of empirical evidence regarding costs and benefits, it may be important to acknowledge that certain decisions may be made because they are in the public interest and further the objectives of financial reporting.	At paragraph BC 3.37 the Board has acknowledged that there may be difficulty in quantifying all benefits that will flow from a particular proposal, and how it will apply the C-B constraint in those cases. Staff appreciate the concerns of this respondent, but would prefer to respond by strengthening the notion that the cost- benefit test may not be quantifiable and may be implicit in some cases that deal with matters of public interest – rather than explaining in the Framework that the cost –benefit test will be abandoned in some cases.

ADDITIONAL ISSUES IDENTIFIED ON SECTION 3—QUALITATIVE CHARACTERISTICS AND CONSTRAINTS

R#	SECTION 3 (QCs and Constraints) – ADDITIONAL ISSUES RAISED	STAFF COMMENT
	ADDITIONAL EXPLANATION AND/OR DEFINITION	
001	The Framework states that the factors and circumstances that support opinions expressed or disclosures made should be 'transparent,' particularly with reference to prospective and non-financial qualitative information. The transparency as described should enable users of GPFR to form judgments about the appropriateness of those assumptions. We would welcome IPSASB guidance on what transparent means in the context of GPFR.	Noted - Staff anticipate this would be a matter developed at the guidance/standards level as individual projects were developed.
045	Refer to Para. BC. 3.24, last sentence - This seems like a policy statement for the development of standards. Is this stated elsewhere for the ongoing consideration of the IPSASB in setting standards or just in this basis for conclusions part of the ED?	Staff believe it is not reproduced elsewhere, but will confirm or otherwise.
045	Refer to Para. BC. 3.33, 2nd sentence - What financial reporting requirements would be imposed by "the operation of this Conceptual Framework"? What does "the operation of this Conceptual Framework" mean?	Noted – consider deletion of phrase or use of "application" rather than "operation".
041	Paragraph 3.1 of the ED states "GPFRs present financial and non-financial information about economic or other phenomena." If the reference to "other phenomena" is retained, we consider that the Framework should explain what is meant by that term as the purpose of this phrase is not clear to us.	Noted- See also comments from other respondents below regarding clarification of other phenomena.
044	We believe it important that information about phenomena other than economic be dealt with explicitly within the scope section of the CF, as it is a determinant of which useful information is within the scope of financial reporting and which useful information is outside the scope of financial reporting.	Noted - clarification of other phenomena also raised by others.
046	The AASB considers 'economic phenomena' a broad notion encompassing scarce resources, claims to scarce resources, and inflows and consumptions of scarce resources. The AASB is concerned that the references to phenomena other than economic phenomena in the ED implicitly expand the scope of general purpose financial reporting, and considers that such matters should be dealt with explicitly in the 'scope of general purpose financial reporting' component of the Conceptual Framework. It recommends that, if references to these 'other phenomena' are included in the IPSASB Conceptual Framework, their meaning should also be explained. Some contend that using 'economic' in relation to all phenomena within general purpose financial reports may cause translation problems. However, the AASB considers that such	Staff agrees that if perceived as an issue, the BC could explain in broad terms the difference between economic phenomena and other phenomena as intended by the Board. Subject to Board decisions on the structure of the ED, such explanation could be included in the scope section.

R#	SECTION 3 (QCs and Constraints) – ADDITIONAL ISSUES RAISED	STAFF COMMENT
	problems can be avoided by including appropriate explanations and, accordingly, translation issues are not a sufficient reason to incorporate 'other phenomena' in the IPSASB Conceptual Framework.	
052	It would be useful to include a discussion on the interaction between the qualitative characteristics and constraints, including why such a distinction is necessary.	Noted – this also raised by another respondent. Staff will raise with the Board whether further explanation of the role of the constraints should be developed.
	EDITORIAL MATTERS	
003	Refer to Para. 3.16 - HoTARAC is of the view that " . . . the process used to produce the reported information has been applied as described" should be reworded to " . . . the qualitative information about the process and/or technique to obtain the information applied has been correctly described"	Consider in drafting review.
045	Refer to Para. 3.24, 3rd bullet - Add at the end "for the same reporting period".	Consider in drafting review.
045	Refer to Para. BC 3.29 - The first bullet point and the first half of the second bullet point are reasons that support why the qualitative characteristics should not be distinguished between "fundamental" and "enhancing". The second half of the second bullet point and the third bullet point are examples of either the second reason or perhaps a third reason – that qualitative characteristics are interrelated or interdependent. Based on the above observation, we recommend removing ", for example" at the end of the first paragraph. As the second half of the second bullet point and the third bullet point are examples, they should be clearly identified as such under the related reasons 2 or 3 (if added). *Respondent provides example of amendments proposed.*	Consider in drafting review.
046	Refer to Para.3.40 - The AASB suggests replacing "relevant" with "useful" in the last sentence. Under the present wording, timeliness and understandability are components of relevance, although Chapter 3 identifies them as qualitative characteristics in their own right (see paragraph BC3.7, third sentence).	Pont taken - Consider in drafting review.

SMC 4: The basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity

(a) Description of a reporting entity and basis on which a reporting entity is identified

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**21**	**51%**
(B) SUPPORT WITH RESERVATIONS	**10**	**24%**
(C) DO NOT SUPPORT	**10**	**24%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***41***	***100%***
(D) DID NOT COMMENT	**13**	
TOTAL	**54**	

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
001	B	We agree with the Framework's approach that adopts a principles-based view over the Reporting Entity and the Group Reporting Entity. The ED states 'a public sector reporting entity may be….a program or activity without a separate legal identity.' Generally we agree that what constitutes a reporting entity should not be limited to those activities that are structured as legal entities. We also believe that a reporting entity could be a program or activity that is not within a separate (or single) legal entity. However, we note the practical accounting issues that exist when reporting entities do not align with a separate legal entity, specifically the allocation of assets, liabilities, revenues and costs that may relate more generally to a legal entity. As such, IPSASB may wish to issue guidance so as to assist preparers in identifying what constitutes a program or activity and/or how the boundaries should be drawn between one such program or activity and other programs / activities within the same legal entity. We believe that the Board should include in the description of a reporting entity the concept that a reporting entity would not exclude economic activities that are controlled at the same or lower level within the group so as to prevent arbitrary carve-outs or combinations of legal entities. In this regard, a reporting entity could include one or more circumscribed programs or activities, each of which could be a reporting entity in its own right. We believe the concept that, the boundaries of a reporting entity generally should be determined in the first instance on the basis of control of an entity, is important and therefore should be addressed within the Framework.	Noted. As explained at BC 4.2, the Board's intent was that the Framework would not identify which organizations, programs and activities, etc. should be identified as a reporting entity or group reporting entity. That would be specified in legislation or other authority. Staff appreciate the concerns raised by this respondent, but is of the view to include such guidance pushes the role of the Framework further than intended by the Board.
002	C	The proposed definition of a reporting entity is an entity that prepares general purpose financial statements. ACAG believes an entity should prepare general purpose financial	Noted. While the IASB has not yet finalized its reporting entity

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
		statement when it satisfies the criteria for being a reporting entity. ACAG recommends the IPSASB adopts a similar definition of reporting entity as outlined in the IASB's *Framework for the Preparation and Presentation of Financial Statements*.	concept, staff and the Board have monitored the development of the IASB-ED on this topic.
003	B	HoTARAC **supports** the basis on which a public sector reporting entity is identified. HoTARAC agrees that the key characteristic of a reporting entity is the existence of service recipients or resource providers who are dependent on GPFRs for information about the activities of particular governmental organizations, programs or other identifiable activities for accountability or decision-making purposes. However, as GPFRs are traditionally only prepared for reporting entities, as defined in the Framework, rather than parts thereof, HoTARAC would urge the IPSASB to carefully consider the practical application (particularly the cost burden) of inferences that GPFRs may be appropriate for parts of a reporting entity (like programs or identifiable activities). *Respondent includes guidance on how to remedy this concern including:* (a) replace 'a government or other public sector organization, program or identifiable activity' with 'an entity' in paragraph 4.1 and then define or describe what constitutes an 'entity', and (b) provide more details around indicative factors or characteristics of a reporting entity (e.g. separation of management from economic interest, economic or political importance / influence and financial characteristics) to help clarify the distinction between an 'entity' and a 'segment'. Regarding the last sentence of paragraph BC 4.5, which indicates that insignificant entities may not be identified as reporting entities, HoTARAC is concerned that in contrast with the private sector all public sector entities (ranging from very large to very small) by their very nature would meet the proposed "criteria" for preparing GPFRs (due to the existence of service recipients, resource providers, etc). Therefore, the Framework should expand (in the Basis for Conclusions) the rationale for its expectation in paragraph BC4.5, and the IPSASB needs to allow for this by revising the discussion in the body of the Framework so that public sector entities that are immaterial in terms of their nature and relative size are not identified as reporting entities.	Noted. This matter also raised by others. Staff is concerned that the Board's message is not clear – that is, while the Framework identifies key characteristics that a reporting entity is likely to posses, it does not identify which government organizations, activities etc. should be identified as a reporting entity or group reporting entity. The Board has previously considered an approach that provided more details around the nature of an entity or reporting entity. Staff is of the view this approach could usefully be revisited in the course of the Board's deliberation/confirmation of the intent of this section, and delivery of its message. Staff propose that additional explanation and clarification be considered subsequent to Board's initial deliberations on the focus of this section.
004	B	In general, the concepts for consolidation in the Exposure Draft are very similar to Canadian concepts of the reporting entity under PSAB standards; however, we found IPSASB's wording very broad and frequently too vague to interpret. [*See comments on the group reporting entity following.]*	Noted

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
005	A	*No specific comment on reporting entity but response notes support for the ED and SMCs*	
006	B	NSW Treasury broadly agrees with the proposed reporting entity definition. However, we note the ED does not use 'control' in terms of defining a single reporting entity. In Australian Accounting Standards, control is incorporated into the definition of an 'entity', as "… the capacity to deploy scarce resources in order to achieve objectives" (SAC 1, para 6). Without considering control, a 'segment' as currently defined in IAS 8 could be considered a reporting entity under the proposed reporting entity definition, even though the segment has no capacity to control or deploy resources (however, we do not regard a 'segment' as a reporting entity). *Respondent includes guidance on how to remedy this concern. See response 004 above including:* NSW Treasury also notes that the IASB has delayed its work on the reporting entity phase of its Framework, which could result in differences between the two Frameworks once the IASB …we suggest changing the reference 'service recipients or resource providers' to 'users' in describing the key characteristic of a reporting entity in paragraph 4.2. We consider the needs of all users (not just primary users) important and relevant in identifying a reporting entity.publishes its reporting entity document.	Noted. Staff is of view this also goes to matters of Board intent re role of framework in identification of the reporting entity in the public sector. Similar issues have been raised by others – see staff comments above and below. Staff will consider issues of terminology, structure and explanation following Board deliberation on intent and focus of this section.
007	C	*The primary focus of the respondents comments are on the consequences of the Framework for the group reporting entity. However, the respondent also notes:* In addition, the proposals include "the existence of users who are dependent on general purpose financial reports (GPFRs) for information about the activities of particular governmental organizations, programs or other identifiable activities for accountability or decision-making purposes" as a key characteristic of a reporting entity. It is our position that this creates additional uncertainty in our ability to protect our constitutional framework within the financial reporting requirements being proposed from an international perspective.	Noted – This observation reinforces staff view that the board's intent re role of the Framework for identification of the reporting entity has not been explained clearly enough.
008	D	*No comments on identification of reporting entity. See comments on 4(b) group reporting entity.*	
009	B	Every entity managing public funds must submit reports or financial statements; to account for such funds, that information should never be "on a voluntary basis".	Noted. ED proposes legislation, regulation or authoritative body will identify reporting entities.

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
010	A	By linking the objective of GPFRs with its users, the existence of service recipient or resource providers is the most appropriate characteristic to identify a reporting entity.	Noted
011	A	The basis discussed appears appropriate in a public sector context and it essentially follows the same principle as established in IAS 10, which was issued recently. We have no additional comments on this issue.	
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	D	This definition of a reporting entity is self-referring. If this is an intentional aspect of the Conceptual Framework then we recommend that a statement is made to clarify this intention. However, if the self-referring definition is unintended then we recommend that paragraph 4.1 is amended so that it is not self-referring. If the objective of chapter 4 is to define the reporting entity for the purpose of establishing whether the entity should prepare a GPFR, then the fact than an entity prepares a GPFR is not a factor which defines the entity; it prepares a GPFR because it is identified as being an entity.	Point taken. Clarify in drafting review following confirmation of Board intent and focus of this section...
014	D	*No comments on identification of reporting entity. See comments on group reporting entity.*	
015	D	*No comments on identification of reporting entity.*	
016	B	We agree that a key characteristic of a reporting entity is the existence of users by which we mean that there is a legitimate demand for the information that the GPFRs would provide. In determining whether individual GPFRs should be produced this must of course be tempered by a consideration of the costs and benefits of involved. To achieve the objective of accountability to citizens it follows that all entities that raise or consume resources are reporting entities and we agree that in practice legislation, regulation or another authority will identify which entities will be required to prepare GPFRs. However, we note that paragraph 4.4 suggests that GFPRs might be prepared for individual activities. We question this; in our view a reporting entity should be a cohesive economic unit (see ASB 'Statement of Principles for Financial Reporting' paragraph 2.3). Where information is required about, say individual activities, users' needs are more likely to be met by special purpose reports that do not contain all the components required for GPFRs.	Noted – Staff appreciate concern. Similar concerns have been identified by a number of respondents. This again goes to the role of the Framework in this matter. As noted above, the Board had intended that legislation or other authority would identify the reporting entity, not the Framework As such, legislation may require GPFRS to be prepared in respect of particular activities. Staff agrees, this needs clarification.
017	D	*No comments on identification of reporting entity.*	

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
018	A	We also agree with Section 4 on the Reporting Entity, …	
019	C	*The primary focus of comments of this respondent is on the group reporting entity. [See comments on the group reporting entity which follow]. Respondent also notes* …BC 4.2 appears to imply that notwithstanding the principles set out in the ED, governments—through legislation, regulation or other authority—would be able to decide what is a reporting entity or a group reporting entity. We question the merit of the inclusion of such a provision in a conceptual framework. While sovereign governments may choose to not comply with particular accounting standards or concepts, we do not consider it appropriate for a conceptual framework to effectively sanction such non-compliance. Instead, we believe that international standard setters should set out the appropriate conceptual bases and principles to facilitate the preparation, analysis, and interpretation of high quality financial statements. It is also important that a supreme audit institution is able to review a particular accounting policy adopted by a government—for example, on group reporting entity—for consistency with the requirements of an accounting standard or, in its absence, the relevant conceptual framework, to assess whether to express an unqualified audit opinion. This can be an incentive for compliance with standards or concepts as governments generally seek to avoid a qualified audit opinion. BC2 would appear to remove even this minimum incentive for compliance. *Respondent concludes following comments on both reporting entity and group reporting entity:* The cumulative effect of the above would appear to be that the ED on conceptual framework, as drafted, would not advance the cause of comprehensive financial reporting about a particular level of government. It may even have the effect of encouraging governments to exclude entities from their consolidated accounts by simply passing a law or regulation. Thus a minister of finance—usually authorized to issue regulations—could simply decide not to consolidate entities with significant liabilities (or contingent liabilities) and this would still be in compliance with the conceptual framework. This would appear to be a move in the wrong direction and inconsistent with the lessons learned from the financial crisis about the need for adequate coverage of financial statements.	Noted. In developing the consultation paper #1 the Board discussed whether the Framework should define a reporting entity and identify in what circumstances such an entity should prepare GPFRSs. However, the Board determined that while the Framework may identify characteristics that a reporting entity is likely to posses, the Framework should acknowledge that legislation or other authority will specify what will be a reporting entity in particular jurisdictions. Staff is of the view that the Board revisit, confirm or otherwise, and clarify its approach to identification of the reporting entity. However, once the reporting entity had been identified, the boundaries of the reporting entity would be determined at the standards level, consistent with the principles identified in the Framework.
020	A	We agree with the view of the IPSASB.	
021	C	Members believe that the concept of reporting entity shouldn't be included in the conceptual framework as this concept relies to consolidation criteria. They consider that the circumstances of inclusion of an entity in the reporting group should be well	Noted. It is intended that the basis on which group financial statements are prepared will be established in IPSASs

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
		established elsewhere than in a framework i.e. in an accountant standard.	
022	D	*No comments on identification of reporting entity. See comments on 4 (b) group reporting entity.*	
023	A	NAO agrees with the basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity. In particular, it agrees that a public sector reporting entity may have a separate legal identity or may be an _organizations_ structure, administrative arrangement, programme or activity without a separate legal identity but with the authority to raise or deploy public monies, acquire or manage public assets, incur liabilities, undertake activities to achieve service delivery objectives or otherwise implement government policy. In both cases, entities would be required to prepare GPFRs.	
024	C	The inclusion of part 4 *The reporting entity and group reporting entity* in the framework is not supported for the reasons indicated below. It is recommended that paragraphs 4.1 – 4.13 be deleted from the framework. (c) Entities, organisations, programs, activities, etc. that are required to prepare GPFRs are specified and defined in legislation. The discussion in part 4 of the framework may be seen as defining a "reporting entity". It is not appropriate for the framework to define a "reporting entity". (d) Paragraph 4.5 states that a reporting entity may have a separate legal identity or be an arrangement, program or activity within a separate legal entity. Inclusion of such a statement in the framework may be construed as requiring components of a legal entity to prepare GFRs, which would be unacceptable.	Noted – While the Framework identifies characteristics that a reporting is likely to possess, it does not identify which government entities, activities etc that should be identified as a reporting entity. This is determined by legislation or other authority. Staff agrees this message should be clarified.
025	A	We agree with the basis on which a public sector reporting entity is identified.	
026	A	The CNOCP agrees that the existence of primary users and their needs is a criterion for identifying a reporting entity. It therefore agrees with the position adopted in the exposure draft of not establishing a precise legal definition of a public sector reporting entity or group of entities. The CNOCP also agrees with the provisions of the exposure draft which stipulate that the legislation or regulations in operation in each country determine which entities or group of entities are required to produce and publish financial statements.	
027	A	We agree with how the conceptual framework addresses the above.	

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
028	D	*No comments on identification of reporting entity.*	
029	A	The Exposure Draft has restructured the material in the Consultation Paper, taking the view that certain matters should be dealt with at standards level. In line with our supportive comments on Preliminary View 8, and our additional comments on Preliminary View 9 of the 2008 Consultation Paper, we are content with the proposals in the Exposure Draft.	
030	B	The discussion in 4.1 to 4.6 of the consultation paper identifies that a key characteristic of a reporting entity is the existence of users dependent on information about the activities of particular governmental organizations, programs or other identifiable programs. The Treasury considers that this is correct, but questions whether any further guidance is more appropriate at a standards level rather than a conceptual framework level.	Noted – Differing views about the appropriate level of detail have been expressed. Consider in the Board's deliberation on the role and nature of this section.
031	C	Similar to our concerns with the scope of the framework, we feel the definition of a reporting entity is too broad. It seems that by specifically including in the definition of a reporting entity ". . . program or identifiable activity that prepares general purpose financial reports" (paragraph 4.1) in conjunction with the statement that a key characteristic of a reporting entity is the existence of users reliant on it for information (paragraph 4.2), any government department/ministry or material government program would be required to prepare separate financial statements under the proposed framework. We do not believe that having to prepare separate ministerial financial statements is always useful to public sector users and the definition should be amended to give entities the option of presenting such information.	Noted - goes to role of the Framework in respect of the reporting entity. Others have raised similar concerns – see comments above.
032	A	In Denmark, a public sector reporting entity is a state entity with administrative responsibility for one or several appropriations in the state budget. This definition is similar to the presented considerations about the reporting entity's legal or organizational independence, with which we agree.	
033	B	*Staff comment: See comments on group reporting entity where major concerns are raised. Respondent notes ED#1 uses definitions similar to those adopted in Canadian Standards, but there are important differences in wording that could be problematic for Canadian governments.*	
034	A	The Exposure Draft has restructured the material in the Consultation Paper, taking the view that certain matters should be dealt with at standards level. Comment on entity definition was provided in respect of Preliminary View 8, and particularly in Preliminary View 9 of	

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
		the 2008 Consultation Paper where UK stakeholders including CIPFA were concerned that additional flexibility would be needed. We are content with the proposals in the Exposure Draft.	
035	A	Agree. The language used in this Exposure Draft has been improved but still overly focuses on governments rather than all public sector entities.	Noted - Consider in drafting review.
036	A	We do agree with the proposed basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity.	
037	C	Nova Scotia does not agree with the basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity. This is a critical area where IPSASB is leaving the issue far too broad for practical application.	Noted – others have also expressed similar concerns. Consider as Board considers intent and focus of this section
038	C	We feel that the discussion of the Reporting Entity and Group Reporting is somewhat excessively detailed and could result in a requirement to prepare financial statements for entities where legislation does not require a financial statement. For example, paragraph 4.2 of the ED discusses that a key characteristic of a reporting entity is the existence of service recipients or resource providers who are dependent on GPFR for information for accountability or decision making purposes. In Canada, we have only recently required, via policy, that departments prepare a departmental financial statement. Our *Financial Administration Act* only requires that annual financial statements be prepared for the government as a whole and by individual Crown corporations (which are separate legal entities). A broadly worded standard as proposed by IPSASB could require departmental level financial statements when there is no government requirement for such information since it is reasonable to presume that most departments would have service recipients who may want information for accountability purposes despite the fact that they are not separate legal entities. While we do believe that other financial reports may be appropriate to report on a portion of a legal entity, the requirement for the preparation of GPFR should be limited to separate legal entities. The application of standards designed for an entity level, such as the current IPSASB standards, may not be appropriate for a department or division of a larger reporting entity; specific reporting standards may be required at that level. Therefore, IPSASB should ensure than any final conceptual framework is clear in that it only applies to legal entities. As noted in the first discussion point above *[staff comment: see comments on scope]*, governments should have the ability to determine the financial reporting framework and requirements and not have it imposed by a standard-setter, in particular in this case where the requirement could lead to more detailed information.	Noted – others have expressed similar concerns about the application of this concept – though in some cases advocating additional explanation/clarification. See comments above. Staff is of the view that the Board's view that the legislation or other authority rather than the Framework would identify the reporting goes to much of this concern. However, staff of view that Board's intent on this section needs clarification.

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
		Therefore, we recommend that the discussions in paragraphs 4.2 to 4.6 limit the requirements for GPFRs to separate legal entities, which would include the government as a whole and any controlled entities which are consolidated into the summary financial statements.	
039	A	Section 4 of the ED aims to establish the basis on which a public sector reporting entity is identified and also the circumstances in which an entity should be included in a group reporting entity. We support the contents of this section and agree with the factors that are likely to signal the existence of users of GPFRs of a public sector organization, programme or identifiable activity, which includes the responsibility to raise or deploy public monies. The scope for interpreting the responsibility to raise or deploy public monies for specific activities (paragraph 4.4) may result in jurisdictional inconsistencies, as the characteristics of, and constraints on, information could vary; for example, the interpretation of imputed tax and spend activity could mean that private companies raising monies on behalf of the government fall within the factors signalling the existence of users. Such concerns may, however, be better addressed at the standards level, and could have an impact on other standard setters.	Noted – Staff agree with observations regarding matters better addressed at standards level.
040	C	*Primary focus of comments is on the group reporting entity. However respondent notes:* We disagree with this proposal. We believe the framework should briefly address the concept of the reporting entity. Since this notion is related to the consolidation principlesto follow when preparing consolidated financial statements it should be the subject of a separate standard.	
041	D	*No comments on identification of reporting entity. See comments on 4 (b) group reporting entity.*	
042	D	*No comments on identification of reporting entity*	
043	D	*No comments on identification of reporting entity. See comments on 4 (b) group reporting entity.*	
044	A	The Joint Accounting Bodies agree with the decision of the IPSASB to give attention to the needs of users who are dependent on GPFRs to delineate the boundaries of the reporting entity, be that at the level of the single entity or the group entity. We note that the IASB/FASB have not progressed their work on the Chapter beyond an ED. We consider that this is unfortunate. Were differences to emerge in the way that the term is used in the respective frameworks it may produce unnecessary confusion amongst users of public and	Noted. In the development of its Framework, the Board monitors and considers the IASB Framework and its on-going development.

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
		private sector financial reports and practitioners - especially those who service both sectors or seek to move between sectors.	
045	A	We agree with the basis on which a public sector reporting entity and a public sector group reporting entity are identified – i.e., a key characteristic of a reporting entity is the existence of service recipients and resource providers who are dependent on GPFRs prepared in respect of the entity for the information they need for accountability and decision-making purposes. We like the explicit link to accountability and decision-making purposes in paragraphs 4.2 and 4.3.	
046	B	The AASB supports the IPSASB's intention to identify the boundaries for determining those entities that should prepare general purpose financial reports and identify the circumstances in which consolidated financial statements should be prepared. However, it considers that, in the public sector, there is likely to be a need for criteria to identify which entities should, in concept, be required to prepare general purpose financial reports. For example, it may be debatable whether government departments should prepare separate general purpose financial reports. It is more difficult than in the private sector to identify which entities that are components of entities preparing general purpose financial reports should also prepare general purpose financial reports. The AASB therefore suggests including guidance for identifying the characteristics of entities with users dependent on their general purpose financial reports for decision making, and that should therefore prepare general purpose financial reports. The focus of the guidance could, in effect, be on identifying which public sector entities need not prepare general purpose financial reports.	Noted – this goes to role of the Framework in respect of the reporting entity, and level of detail to be included in the Framework. Staff is of view that Board's intent re role of this section of Framework should be clarified. Consider these matters in context of Board deliberation on intent and focus of this section
047	A	We agree with what the ED sets out in terms of reporting entities. We think it is relevant to allow legislation, regulation or other national authority defining which entities are required to present financial statements. To us, allowing public sector entities to present such statements in a spontaneous way is also relevant.	
048	D	*No comments on identification of reporting entity.*	
049	A	The general definition (§4.1) of the public entity obligated to GPRF, or of the group of entities, raises no problem. The understanding is that to ascertain the basic entity obliged to present financial reporting, we refer to the requirements of national legislation (4.5, 4.6 & BC 4.2). It is however regrettable that the draft does not envision more clearly than it currently does the necessity of there existing at least one financial report for a State (distinguishing between Federal State and federated states, if necessary) considered in its entirety, over	Noted – again this goes to extent to which guidance should be provided in Framework or at standards/guidance level. Consider this matter in context of Board deliberation on intent and

R#	CATE-GORY	SMC 4(a) REPORTING ENTITY – DESCRIPTION AND BASIS ON WHICH IDENTIFIED	STAFF COMMENT
		and above financial reporting that might be made by ministries or agencies. This can be an intermediary stage before the production of consolidated financial statements over a wider scope. It is a condition for comparability for national States.	focus of this section
050	D	*No comments on identification of reporting entity, but comments on group reporting entity.*	
051	C	I think that the basis for public sector reporting is very complex, I think that is need to make a research in countries for operating after this the IFAC will be integrated of the experience and knowledge of the characteristics and circumstances for reporting entity. Each country is monitoring government laws and is very difficult the application if the discussion and observations of the problems wouldn't be related.	Board intended Framework to establish broad principles that were sufficiently robust to allow the development of standards/guidance that could respond to jurisdiction differences as appropriate.
052	B	While we agree with the discussion and need for a principle on the identification of a reporting entity, we are however concerned that the current drafting may result in onerous reporting requirements if GPFRs can be prepared for an organization, program, or identifiable activity. We therefore suggest that this section should emphasis that: (e) Where legislation requires an entity to prepare GPFRs, that entity is regarded as a reporting entity. (f) Where legislation does not specify whether GPFRs should be prepared for such an organization, program, or identifiable activity; or such an organization, program or identifiable activity is not included within the GPFRs of another reporting entity, then an entity applies the principle in section 4, i.e. it assesses whether users exist for such information, including whether any of the factors in paragraph 4.4. indicate that users are likely to exist. We question whether the preparation of GPFRs in the absence of a legal requirement is done on a voluntary basis. If it is not voluntary, would this imply non-compliance with IPSASs? How would this be enforced?	Noted – It was intended that legislation or other authority rather than the Framework would identify the reporting goes to some of these concerns. The Board had intended the Framework to be less authoritative than proposed in the second dot point, noting only that in other circumstances GPFRSs may be prepared on a voluntary basis – as such not required. Consider these matters as Board reviews this section.
053	D	*No comments on identification of reporting entity,*	
054	A	We agree with IPSASB's view that it is not the function of the Conceptual Framework to identify which public sector entities, programs or activities should be identified as a reporting entity. Public sector entities or activities that are to prepare GPFS will be specified in legislation, regulation or authoritative bodies with knowledge of the characteristics of public sector entities in their jurisdiction, and the likely information needs of users. Some public sector entities may also voluntarily elect to prepare GPFS.	

SMC 4: The basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity

(b) The group reporting entity

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB members

(A) SUPPORT	**22**	**48%**
(B) SUPPORT WITH RESERVATIONS	**9**	**20%**
(C) DO NOT SUPPORT	**15**	**33%**
SUB-TOTAL OF THOSE PROVIDING COMMENTS (% is of those commenting)	***46***	***100%***
(D) DID NOT COMMENT/NO CLEAR VIEW	**8**	
TOTAL	**54**	

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
001	B	The Group Reporting Entity is defined as the 'Authority and capacity to direct the activities of another entity, so as to benefit (and be exposed to the financial burden) from the activities of those entities.' We support the approach outlined in the Framework that directs the application of these Group Reporting principles down at the IPSAS levels. We note the relevant IPSASs will need clarity of definition over each of the Group Reporting Entity terms noted, being: 'authority', 'capacity', 'activities', 'benefits' and 'financial burden'. Notwithstanding the application of Group Reporting principles within specific IPSAS standards, we also believe that the Framework might consider raising these Group Reporting Entity principles to a higher-level than currently described within the ED. IPSASB might consider that Group Reporting, per the Framework, should simply be defined as where accountability and decision making are undertaken. This would be consistent with the overall objectives of Financial Reporting noted earlier in the Framework.	Noted – The Board has steadily refined the level of detail provided on this matter – moving to a more principle based/higher level approach as it developed the CP and moved from CP to ED. Some others have also advocated this higher level approach while others have noted the need for additional clarification. Consider as Board reviews its approach to this section.
002	A	ACAG agrees with the ED proposals regarding the circumstances in which an entity should be included in a group reporting entity.	
003	B	HoTARAC **agrees** with the proposed key characteristics of a public sector group reporting entity. [*Respondent notes that the characteristics in paragraph 4.7 align with the current concept of control in Australia, and Paragraphs 4.11 and 4.12 provide good guidance on how to apply this principle in practice*.] A minority of HoTARAC members does not support the group reporting entity concept in	Classified as B here because of the differing views of some members. Proposed clarifications noted – staff will consider in drafting review, consequent to the Board's

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		the exposure draft. In their opinion, as there is no public-sector reason for deviating from IASB framework, IPSASB should retain IASB definitions and terminology. *Re paragraphs BC4.19 and BC 4.20*, HoTARAC suggests clarifying that all the factors (including exposure to benefits and losses) would need to be met to determine the boundary of a group reporting entity. Also, the IPSASB should consider whether the resulting aggregation of entities into consolidated GPFRs would present meaningful information. HoTARAC suggests clarifying the statement in paragraph 4.13 that IPSASs "will need to respond to operational and implementation issues that may arise in different jurisdictions" as HoTARAC is of the view that the IPSASB needs to determine common principles to be applied across jurisdictions based on dependent users' needs in developing an international accounting standards framework. Each jurisdiction would then implement the principles based on their circumstances. Refer to Para.4.10 - HoTARAC suggests replacing "about, for example" with "including" as in HoTARAC's view this is a requirement rather than an example.	deliberation and confirmation of broad approach to be adopted here.
004	C	…we are concerned that the exposure draft does not recognize the constitutional separations of sovereign levels of government. Ontario believes it is important to acknowledge the existence of different levels of government and they cannot be controlled entities for a higher level of government. The PSAB standards acknowledge this specific factor in Canadian government and provide the specific clarification as follows: "PS 1300.02 The standards are intended to apply to the financial statements of the federal, provincial, territorial and local governments. Each of these governments is a separate financial reporting entity and would be excluded from the financial reporting entity of any other government." Ontario recommends enhancing the conceptual framework to ensure clarity on this key concept.	Noted. The Board's intent was that the Framework establish principles and any authoritative requirements be identified in IPSASs at the standards level – as per para 4.13, the IPSASs will need to respond to circumstances/implementation issues of individual jurisdictions. Staff view is that while concerns identified here may well be valid – they are matters that will arise at the standards level.
005	A	*No specific comment but notes overall support for ED and SMCs*	
006	C	NSW Treasury does not support the group reporting entity concept in the exposure draft in its current form. We question the IPSASB's decision to avoid using the term 'control' when it discusses the composition of a group reporting entity.	Noted. Some others also raise issues about the wording of the criteria. (Some also support the proposed wording.) Consider as Board

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		We are unclear why the IPSASB has amended the IASB working definition of control by changing the reference to 'reducing the amount or incidence of losses' to a reference to 'financial burden'. We recommend retaining the IASB wording as we do not see any significant difference between exposure to a financial burden (IPSASB) and reducing the incidence of losses (IASB). Again, as much as possible, we would prefer that IPSASB retain IASB terminology whenever there is no public-sector reason to deviate from the IASB Framework.	reviews its approach to this section.
007	C	Another concern is the basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity. The proposals in this ED do not adequately address our concern, as a senior government, that was identified in response to the consultation paper. While it is understood that the proposals reflect an approach that may allow flexibility in dealing with the diverse needs from an international perspective; it remains too broad and is subject to interpretation which does not provide adequate assurance that the constitutional framework within Canada will be protected. The PSA Standards support the reporting of federal, provincial, territorial and local governments as separate financial reporting entities. In this respect, there continues to be concern that under the proposed international framework, of the possibility of a senior government reporting entity (provincial government) having to include a local government (municipalities) in preparing consolidated financial statements. In particular, IPSASBs current proposal to only identify circumstances and principles for inclusion of an entity or activity within a public sector group reporting entity rather than defining a potential base (e.g. control, accountability) is an approach that is broad; it can lead to many interpretations in defining a reporting group. Further, to replace the concept of the "power criterion", previously proposed in the consultation paper, with the "authority and capacity to direct" only adds to the confusion in defining a reporting entity. (*Staff comment: see also comments on description of the reporting entity above re potential for different interpretations and uncertainty regarding their consequences for jurisdictional specific circumstances.)* While, it appears that the proposed guidance may allow for consideration of institutional and operational differences among jurisdictions per paragraph 4.13; it is suggested that a separate standard be developed. A separate standard would allow consideration or preservation of particular circumstances of jurisdictions in developing the authoritative requirements that give effect to the principles in the framework. It may be appropriate to	Staff notes similar concerns from a number of respondents. Staff agrees that a separate standard which provides authoritative requirements, considers jurisdictional circumstances and deals with technical details should be developed. . Staff is of the view that the Board could usefully confirm its intent and revisit and improve explanation to achieve a clearer delivery of this message. In this context, staff notes this respondent comments that the approach may provide sufficient flexibility to respondent to jurisdictional differences – but is clearly concerned that the wording of the criteria is of an authoritative nature.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		include wording similar to the PSA Standards which state that "The standards are intended to apply to the financial statements of the federal, provincial, territorial and local governments. Each of these governments is a separate financial reporting entity and would be excluded from the financial reporting of any other government."	
008	B	The FASAB is currently considering whether certain principles can be applied to define a "core" versus "non-core" component of a government, in determining whether an entity requires consolidation. These principles are: • Is the entity included in the budget? • Does the government have a majority ownership interest? • Does the government exercise control with expected benefits or risk of loss? The application of these specific (or any) principles to all situations is likely to be very subjective and problematic. We found the emphasis by IPSASB on the "authority and capacity to direct the activities of other entities" may result in quasi-governmental self-funded commissions and boards arguing against their consolidation. Supplemental principles or contributing factors that should be considered may be needed. We believe IPSASB may also need to consider stating that GPFRs should adequately disclose "implicit financial or control relationships" with entities that are not within the group reporting entity. …*Respondent outlines rationale for such disclosures*	Staff agrees that additional guidance/requirements should be reflected in IPSASs developed at the Standards level. IPSASs may also deal will other matters identified here including for example, significant influence and nature of control relationships.
009	B	Refer to Para. 4.8 - I understand that "specific transactions" should be added where "capacity to direct" is shown, beyond their autonomy, such as: • Grants (Contributions from the Treasury) to the different government levels (provincial and local); • Debt collateral from a sector of the government to another; • Assumption of liabilities by the Central Government; and • Debt forbearance from a sector of the government sector to another I understand that, as a guideline, the classification established by the 2001 Ministry of Economy and Public Finance (MEFP, its Spanish acronym) should be adopted, as stated in IPSAS 22 (GGS that includes a QMS, PMO and SGL), this would simplify the topic and make it more understandable, with enough flexibility for the countries' legal frameworks to adjust it according to their own characteristics.	Staff is of the view that these matters are important and should be considered in the development of IPSASs that give authority to the principles, but is not convinced they fit comfortably within the Framework.
010	A	In addition to the legislation, authority and capacity to direct activities of another entity is	

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		an appropriate characteristic to indicate existence of group.	
011	A	The basis discussed appears appropriate in a public sector context and it essentially follows the same principle as established in IAS 10, which was issued recently. We have no additional comments on this issue.	
012	A	*Notes participation in, and agreement with, the response from FEE - see Response 29.*	
013	B	We understand the difficulties in defining the characteristics of the group reporting entity and welcome the recognition within paragraph 4.13 that operational and implementation issues which arise in different jurisdictions are a factor in determining whole of government and other public sector groupings. However, legislative issues may also arise in different jurisdictions which impact on the identification of the group reporting entity. We also recommend that the Conceptual Framework recognises that the authority and capacity to direct the activities of another entity as described in the draft Conceptual Framework may be overridden by operational, implementation and legislative issues in different jurisdictions. Another issue which the IPSASB may wish to refer to in the final Conceptual Framework published on completion of Phase 1 is the treatment arm's length bodies (ALBs) within the group accounts. ALBs are sometimes established by public sector bodies to deliver a particular function but they are themselves not public bodies. As non-profit-making bodies, ALB's are not Government Business Enterprises (GBEs). However, like GBEs they would not be required to comply with IPSASs and would comply with another suitable accounting framework. In the UK, ALBs take a number of forms, for example, an ALB can be a Limited Liability Partnership (LLP) or a Trust. Public sector bodies preparing group accounts will need to be able to determine whether or not ALBs should be treated as a group component.	Noted. Staff agrees that more detailed guidance on application of the principles will be necessary, but is of the view that such development should be addressed at the standards level. However, staff is concerned that recognizing in the Framework a specific legislative override in respect of the boundary of a group reporting entity does not reflect the Board's intent. Will raise and consider as Board reviews its approach to this section.
014	D	It is correct that consolidation is not laid down in the Conceptual Framework. On the other hand it is expected that IPSAS 6 will be revised in line with the specific circumstances of the public sector. The problem of consolidation cannot be solved in the Conceptual Framework. The existing IPSAS 6 does not appear to meet the specific circumstances of the public sector adequately and should therefore be revised. For example the reasons as to when a unit in the public sector is to be consolidated and when not, are different in the public sector than in the	Noted – Response focuses and agrees with exclusion of techniques for combining/consolidating GPFRs in a group.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		private sector.	
015	D		
016	B	Regarding group reporting entities, we consider that the proposed text is not as articulate as it could be. The CF would benefit from having a definite statement about when a group exists, for example by stating that a group reporting entity will exist where one entity has the authority and capacity to direct the activities of another entity. As noted before, we found that some of the text in the Basis to be more helpful than the actual CF text (e.g. paragraphs BC4.11 and BC4.14 are particularly helpful).	Point taken. Consider as Board reviews its approach to this section.
017	D		
018	A	*Respondent notes agreement with section 4 broadly, but adds:*…in Section 4, it is not clear how there can ever be a generic definition of a group reporting entity in the public sector. The conclusion seems to be that the definition will vary between jurisdictions. …we would add the following to paragraph 4.6 since a lead-in to the appendices is needed: "The conceptual foundation for a reporting entity considered those previously established by the IASB (Appendix 4A) and the SNA (Appendix 4B)."	Noted – Staff anticipate that a definition will be developed at standards level. Consider link to appendices in broader discussion of role, nature and placement of appendices.
019	C	We are of the opinion that, as explained below, some of the wording in the ED and the "Basis for Conclusions" (BC) could leave significant uncertainty about what would constitute a group reporting entity. This could provide too much flexibility to jurisdictions to decide which entities to include in any consolidated financial statements. In turn, this could help perpetuate the current disparity of practices under which financial statements often fail to provide a comprehensive view of the public finances and also lack international comparability. *Re criteria: authority and capacity to direct the activities of other entities, and benefits for the government or exposure to financial burden:* The ED does not, however, provide sufficient guidance on what these concepts actually mean in the context of the public sector. In particular, the ED does not address the fundamental public sector specific conceptual issue of the circumstances in which an entity that has some type of independence or autonomy granted by the Constitution or statute would be considered to be one over which the government nevertheless "has the authority and capacity to direct the activities." Instead, BC 4.15 to 4.17 indicate that this issue will be considered at the standard development level. IPSASB justifies this approach by indicating that this issue	Noted - In the process of development of the CP#1 and then the ED, the Board discussed whether additional guidance should be included in the framework, and reviewed drafts of the CP and the ED with additional guidance to that effect. However, as noted in para 4.16-4.18 the Board ultimately determined that such matters should be addressed at the standards level. The Board was also of the view that the Framework would not specify the methods (consolidation or otherwise) of preparing GPFRs for the group.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		falls under "applications of the principles." We have reservations with this approach. We consider the question of whether independent or autonomous entities are included in a government group reporting entity to be a fundamental conceptual, rather than an application, issue. This is particularly important in the case of central banks that have the professional independence to conduct monetary policy. Australia and New Zealand consolidate central banks in their government financial statements, while most other governments do not. In the context of the financial crisis, where governments have often used the central banks to provide significant support to the financial sector, the issue of whether or not to consolidate central banks is critical for an appreciation of the financial implications of the government interventions. We would, therefore, suggest that any conceptual framework on public sector reporting should address the issue of autonomous or independent entities and provide clear guidance with a view to moving towards more comprehensive and comparable public sector financial statements. Although central banks are the most important such entities, the conceptual framework should also address the manner in which other independent bodies, such as the legislature, judiciary, independent regulatory agencies, and the supreme audit institution should be treated in defining a group reporting entity..… Finally, we note that *GFSM2001* requires consolidation of, among others, controlled entities and does not allow governments to simply exclude entities from consolidation by passing laws or regulations. In particular, *GFSM2001* requires central banks to be included as part of the public sector.	Staff is of the view that working together the Framework and the standards will provide certainty in many circumstances. However, Staff is also of the view that the explanation of the interaction of the Framework and standards could usefully be clarified and strengthened. Consider as Board reviews its approach to this section.
020	B	Even if group reporting entities for financial statements are determined based on whether or not entities have the authority and capacity to direct the activities of other entities, with regard to financial reporting by countries or jurisdictions, there is strong demand for financial information of the entire government of the countries or jurisdictions from the perspective of public finance system structure in the countries or jurisdictions and the national economy, regardless of whether or not entities have such authority and capacity. Therefore, the view of the IPSASB on such financial information in financial reporting should be stated.	Noted – Staff do not disagree with this observation, but are not convinced that such a statement should be made in the Framework.
021	C	*See comments on 4(a) reporting entity above. Respondent is of view that circumstances for inclusion in a group reporting entity should be determined in standards not in Framework*	Noted – for discussion.
022	A	I support the view that a Group Reporting Entity should be determined on what I see as	Noted. Staff agrees that additional

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		representing broadly a control perspective giving rise to financial benefits and burdens. This is something on which, I am sure, the Board will have to return to seek to provide more helpful and specific guidance, if consistency to support comparability between financial reports of public sector entities is to be achieved. For example, as discussed in my comments on the CP, it is still not readily apparent how public sector interests arising from bank bail-outs and public private partnerships would be accounted for based on paragraphs 4.7 to 4.13.	guidance should be provided at standards level.
023	A	NAO also agrees that an entity should be included in a group reporting entity when the Government (or other public sector entity) has the authority and capacity to direct its activities.	
024	C	The inclusion of "group/consolidation" issues in the framework is not appropriate. These issues would be more appropriately addressed at the level of the specific standard dealing with consolidations.	Noted. Consider as Board reviews its approach to this section.
025	A	We agree with the circumstances in which an entity should be included in a group reporting entity as set out in the Exposure Draft.	
026	A	The CNOCP agrees with the exposure draft that an entity should be included in a group reporting entity where the group reporting entity may, in the course of its mission, generate profits or losses or financial commitments. In these circumstances, the CNOCP considers that it is preferable for the group reporting entity to publish financial statements as if it were a single entity.	
027	A	We agree with how the conceptual framework addresses the above.	
028	D		
029	A	*See comments on 4(a) Reporting entity above which applies to SMC 4 generally.*	
030	C	The determination of the boundaries of a group reporting entity, in the Treasury's view, based on accountability or decision-making rights will likely require judgements over such matters as protective or participatory rights, rights of other stakeholders, residual and non-residual benefits, and financial or non-financial benefits. Such matters are matters for standards rather than the framework. Further, users may not wish to define a group solely on the proposed basis. For example, Treasury observes that one significant group of users, the fiscal analyst community, often seek information on entities within the General Government Sector, a grouping that is not based on a concept of control, but rather is based	Noted. Some others have also expressed a view that the Framework should not establish principles for determining the boundary of the group reporting entity. Consider as Board reviews its

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		on an assessment as to whether the entities major activities are market or non-market. The Conceptual Framework should not necessarily preclude standards for such a group being devised, where there are users that cannot otherwise demand the information. The Treasury therefore suggests that paragraphs 4.7 to 4.14 and relevant BC paragraphs be deleted from the framework. However, if these paragraphs are not removed, the Treasury wishes to highlight a specific concern with them. *Respondent notes IPSASB reasons (at paragraphs BC4.12 -BC4.14) for moving from a criteria of "power to govern the strategic financing and operating policies of other entities" to current "authority…"criteria and notes:* Treasury is now concerned however that the revised criteria may result in the unintended exclusion of entities from the Government reporting entity. Governments often establish and operate entities that are provided with operational autonomy, commonly through restrictions on the Executive from having the "authority and capacity to direct their activities". This may occur through the operation of "checks and balances" principle within Governments (e.g. the legislative branch), it may occur because operational independence from Government is critical for the entity to achieve the objectives the Government desires (e.g. independent central bank, regulators' mandates extending to public sector entities), or where professional independence is important such as in research institutions or statistical offices. For such entities, there may be the "power to govern the strategic financing and operating policies" but not the "authority and capacity to direct the activities". We doubt the IPSASB necessarily intended such types of entities to be excluded.	approach to this section. Issues regarding wording of the criteria noted. Staff proposes that this wording be revisited following the broad discussion noted above.
031	C	A key criterion in determining a group reporting entity is the authority and capacity to direct the activities of another entity to derive benefit from such activities (paragraph 4.7). While we are in general agreement with the criterion, from a Canadian perspective, we believe additional guidance must be given to ensure the separate accounting for individual levels of government. Given the substantial levels of funding that occur between federal, provincial and municipal governments in Canada, such a broad criterion could lead to the consolidation of one or more levels of government into a group reporting entity. The independence of each level of government would need to be protected by the proposed framework before it would ever be accepted in a Canadian context.	Noted – similar concerns have been raised by others. See comments above. Consider as Board reviews its approach to this section.
032	A	In Denmark we undertake group reporting for the whole state. This means we view the state as a group reporting entity. At present time the group reporting is a totalization of the financial information across all reporting state entities. We're considering whether we	

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		should enhance our group reporting in two ways; 1. Consolidation of the state group financial information. 2. Undertake group reporting for already defined group entities within the state. The main reason we haven't undertaken nor dismissed either of the two ways is that we have to perform an analysis regarding, whether the extra information actually would benefit to decision-making. If we were to implement group reporting, our view of group reporting entities is mainly identical to IPSASBs statement in paragraph 4.11. We therefore generally agree with IPSASB definitions of group entities.	
033	C	*Staff comment: The following extract is from the detailed Appendix. Similar observations are made in broad introductory comments.* The Exposure Draft defines the Government Reporting Entity in terms that are very similar to the Canadian Public Sector Accounting Board's (PSAB) definition but there are important differences in the wording that could be problematic for Canadian senior governments. The PSAB definition is based on the concept of control and it is clearly understood that none of the governments noted above *[staff comment: Federal, Provincial, Municipal and other communities with sovereignty over their jurisdiction])* control any of the others. The IPSASB definition is based on the "authority and capacity to direct the activities of one or more entities so as to benefit from the activities of those entities ... (and) to be exposed to a financial burden or loss that may arise as a result of the activities of entities whose activities it has the authority and capacity to direct." The practice in Canada is to see the federal and provincial/territorial governments as well as the provincial/municipal governments as being distinct. However, there are a number of instances where these distinct governments have shared jurisdiction, a prime example of which would be health care. Broad policy goals are established at a federal level and significant funding is provided from the federal government while implementation of these policies is carried out independently by provincial and territorial governments with additional funding from these secondary level governments and from private foundations. Health care constitutes a significant percentage of total provincial budget expenditures. The province would not be able to support or adopt IPSASB unless it is clear that the resulting financial statements would not result in the province being consolidated into the federal government or conversely any other currently distinct government being consolidated into the provincial financial statements.	Noted – similar concerns have been raised by others. See comments above. The Board's intent was that the Framework establish principles and any authoritative requirements be identified in IPSASs at the standards level Development of that IPSAS would be subject to full due process. Para 4.13, acknowledges that the IPSASs will need to respond to circumstances and implementation issues of individual jurisdictions. Staff view is that while concerns identified here may well be valid – they are matters that would arise at the standards level. However, staff also acknowledges that that message needs to be clarified. Discuss as Board considers its approach to this section.
034	A	*See comments on 4(a) Reporting entity above which applies to SMC 4 generally*	

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
035	A	*See comments on 4(a) Reporting entity above which applies to SMC 4 generally*	
036	A	*See comments on 4(a) Reporting entity above which applies to SMC 4 generally*	
037	C	Nova Scotia's view is that a reporting entity should be defined as the group of entities under common control of a government. Further, there must be allowance to acknowledge the independence of distinct levels of government within a jurisdiction as well.	Noted – similar concerns have been raised by others. See comments above. Discuss as Board considers its approach to this section.
038	C	We are also concerned that the discussion in paragraph 4.76 to 4.10 is very broad in discussing which entities are included in a government reporting entity. This could result in entities being included that are not truly part of the government entity, in particular due to the discussion of service delivery objectives. A senior government may provide funding to a lower level government in areas where there is a shared responsibility for service delivery. However, each jurisdiction has its own responsibility to deliver. As worded, the reporting entity may end up including multiple levels of governments which are themselves separate legal entities. Similar concerns may arise where the government provides funds to a non-governmental organization to deliver specific aspects of government services. IPSASB should set some clear boundaries as to what is included in the reporting entity. The legislative framework within which governments operate must be respected such that federal, provincial, state, and local goverments each prepare their own financial statements without a mandated requirement to consolidate one level into another. A clear and concise definition of a group-reporting entity should be developed. The excessive discussion in the ED makes the underlying definition unclear and subject to interpretation which may lead to financial statements that are not meaningful or relevant. Paragraph 4.7 defines the group reporting entity to include entities where the government has the authority and capacity to direct the activity of another entity, is exposed to financial losses, and shares in benefits. We believe the "authority and capacity to direct the activity" should be limited to the "financial and operating policies". As noted above, refence to "activities" can lead to inclusion of other levels of government or other organizations with shared service objectives. Limiting group reporting to those entities where a government controls the financial and operating policies will ensure that there is true control over the decision making process, and thus it is reasonable for accountability purposes to have the sub-entity included in the group financial statements.	Noted. The Board's intent was that the Framework establish principles, while any specific authoritative requirements identifying boundaries of the group would be identified in IPSASs at the standards level, and supported by detailed commentary and examples as appropriate. However, similar concerns have been raised by others, including whether the Framework should include principles dealing with the boundary of the group reporting entity or all such matters should be dealt with at standards level, the nature of any such principles and the level of their detail. Some respondent have also expressed concern about the wording of the factors to be considered in determining whether an entity should be included within the group.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		We disagree with the assertion in BC4.17 that specific applications of the principles on the reporting entity will be dealt with at the standards development level. We feel that IPSASB should only have one discussion related to the group reporting entity – either in the Conceptual Framework or in a separate standard – to ensure that the intent is clear and well-understood.	
039	A	While the section does set out the circumstances in which an entity should be included in a group reporting entity - "the government authority and capacity to direct the activities of entities so as to benefit from the activities of those entities" - IPSASB may wish to consider addressing cross boundary control issues. This may arise where government shares the power to direct and the benefits, and for other areas where boundaries between sectors are not clear; for example, between the public sector and third sector where these are delivering similar services. As suggested in the previous paragraph, some of these issues may be addressed at the standards level, and there may be jurisdictional differences (paragraph 4.13).	Noted. Staff anticipates matters such as these will be addressed at standards level as IPSASs or other guidance is developed.
040	C	We disagree with this proposal. We believe that the conceptual framework should briefly address the concept of the reporting entity. Since this notion is related to the consolidation principles to follow when preparing consolidated financial statements, it should be the subject of a separate detailed standard. In addition, the framework refers to "the authority and capacity to direct the activities of one or more entities to derive benefits from them" concerning the inclusion of an entity in a government's reporting entity. We are of the view that the concept of "benefit" has little application in the public sector. Indeed, this notion leads to the necessity of measuring financial but also non-financial benefits, it being difficult to measure the latter in the context of governments. Rather, the conceptual framework should indicate that the relations between a parent entity and its constituents must be reflected in the financial statements depending on the nature of the control between them. In other words, the conceptual framework should maintain that the consolidation methods allowed best represent the nature of the links between the entities of a group and are based on the notion of control. Accordingly, we prefer the existing definition of the *CICA Public Sector Accounting Handbook*: *[Staff comment: includes the definition.]* Lastly, the IPSASB conceptual framework should also mention clearly that "each	Noted – similar concerns have been raised by others. See comments above. Discuss as Board considers its approach to this section.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		government is a separate accounting entity in terms of financial information and is excluded from the reporting entity of any other government."	
041	C	When we commented on the Consultation paper that preceded this Exposure Draft we recommended that application of the "power" and "benefit or financial burden/loss" criteria be dealt with at a standards level. We remain of this view and encourage the IPSASB to keep the Framework discussion of such criteria at a broad level. Paragraph BC4.10 of the Exposure Draft states that "the IPSASB determined that the Conceptual Framework should identify the circumstances that justify inclusion of an entity or activity within a public sector group reporting entity, without designating those circumstances as reflecting a "control," "accountability," "oversight," or some other basis." Given the proposed criteria for determining a group reporting entity (being the authority and capacity to direct the activities of one or more entities so as to benefit from the activities of those entities and exposure to a financial burden or loss) we consider that the IPSASB Framework should acknowledge that these criteria are consistent with the notion of control used in many jurisdictions.	Noted – similar concerns have been raised by others. In addition some respondents have focussed sharply on, and expressed concerns about, the formulation of the factors to be considered in determining whether an entity should be included within the group. Comments re alignment with notions of control also noted. Discuss as Board considers its approach to this section.
042	D		
043	A	A specific feature of charities is that funds are held on trust, not for private benefit, the benefit of the trustee or the charity as an entity but solely for the beneficiaries of the charity. Another key principle is that where funds are gifted with a restriction as to their use, this restriction is binding on the trustees. It follows that trustees must act in the interests of the charity and its beneficiaries. Where trustees control more than one charitable fund, the general purpose financial statements show the unity of their trusteeship and the structure of the funds differentiating restricted from unrestricted funds. In the context of consolidated financial statements this is particularly important because the reality is a unity of trusteeship and not that of a single economic entity where all funds are available to the entity to generate a return or to repay its creditors. The concept of the single economic entity underpins commercial standards such as IFRS10, and its predecessors IAS27 and SIC-12. We therefore welcome the recognition that trusts are legally distinct (paragraph 4.5) and that to establish that benefits accrue to the public body there is a need to identify either a financial benefit or 'the ability to direct that other entity to work with the government (or other public sector body) to achieve its service delivery objectives' (paragraph 4.8). We	

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		therefore welcome the conclusion in paragraph 4.12 that where the public body as trustee cannot exercise its authority to increase its benefits or where it benefits but cannot direct that trust or entity, the trust or entity is not consolidated. The conclusion IPSASB has reached accords with a reasoned interpretation about the intention that group accounts portray a single economic entity and is consistent with our understanding of trust law….	
044	A	The Joint Accounting Bodies support the proposal about the composition of a group reporting entity.	
045	A	We agree with the high level basis upon which an entity should be included in a group reporting entity – i.e., when a public sector entity A has the authority and capacity to direct the activities of another entity B so as to benefit from the activities of entity B or so as to be exposed to a financial burden or loss as a result of the activities of entity B, then entity B would form part of the group reporting entity of public sector entity A. However, we do believe that the two principles of directing the activities and benefiting from activities/being exposed to loss from activities of another entity should be articulated as more of a principle in paragraph 4.7. It is only the further articulation of these principles in the basis for conclusions part of the document that makes the intent of the IPSASB clear. We also agree that specific application of these principles should be done at the standards level.	Noted. Staff is of the view that the "style" of explanation of these matters should be review along the lines proposed, subject to the Board's broad discussion, and directions, on the approach to this section.
046	B	The AASB considers the proposed boundaries of a group reporting entity are in principle consistent with the notion of control adopted by standard-setters in various jurisdictions and recommends explicitly acknowledging this in the IPSASB Conceptual Framework. Although the AASB acknowledges the reasons for the IPSASB's approach that focuses on the components of group reporting entity relationships without referring to 'control', it considers the arguments for referring to 'control' are stronger. The arguments include that IPSASs are developed with reference to IFRSs and are applied or referred to by many parties who are strongly conversant with IFRSs. Therefore, it is important not to create the appearance of substantive differences from IFRSs where none exists. Refer to Para. 4.8 -The second sentence implies services delivered are not financial benefits. The AASB disagrees with that implication, and therefore suggests replacing "financial" in the second line of the first sentence with "in the form of cash	Noted – consider as Board reviews approach to reporting entity section of ED. Noted re 4.8. BC4.21 and BC 4.14. Consider following the Board's broad discussion, and directions, on the approach to this section.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		flows". The AASB is concerned that paragraph BC4.21 of the ED's Basis for Conclusions implies the concept of a group reporting entity is incomplete. This is because it says that whether applying the proposed boundaries of a group reporting entity will provide useful information in various circumstances will need to be considered in developing authoritative requirements in each jurisdiction. Refer to Para. BC4.14 -This paragraph essentially repeats the proposal in Chapter 4 regarding the boundaries of a group reporting entity, and therefore is not a basis for a conclusion. The AASB suggests providing the basis for concluding that these boundaries are necessary to satisfy the objective(s) of general purpose financial reporting.	
047	A	The Conceptual Framework sets out the possibility of group reporting entities. Such groups of entities may gather central government, statutory authorities, public corporations and other entities as long as they can benefit the group and/or expose them to a financial burden or loss. We approve this wording which enables a large number of central governments to refer to the IPSAS. As stated in the ED, the purpose of the Conceptual Framework is not to define the methods used by a group reporting entity which are to be set by national legislation or regulation.	
048	D		
049	A	Concerning the "Group Reporting Entity", the draft envisages different forms of control for entities to be consolidated or combined into a whole (4.8, 4.11 and 4.12). But BC 4.11 is clearer by referring, for a government for example, to all entities *"whose activities it can direct for its benefits, including those which expose it to a financial burden or loss"*. This definition is more ambitious than that of control given by the present IPSAS 6 and seems more closely linked to the notion of advantages and risks than to the current definition of control (cf. on this point the response from the Court of Auditors to consultation document No.2). The Court of Auditors understands that to take this further, IPSAS standards will need to meet the problems of implementation raised in this area by the differences in legislation from one country to the next (4.13). This means that the conceptual framework does not judge the tricky issues of perimeter (BC 4.17) and technique (consolidation or	Noted – Staff agree with the respondents analysis of the relationship between the Framework and the more detailed guidance at the standards level. Staff will revisit drafting of paras identified following the Board's broad discussion, and directions, on the approach to this section.

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		combination, BC 4.18) and thus relates back to standards to be defined or reviewed on this point. The Court of Auditors considers this approach to be one of caution at the present stage but will be vigilant at the standard-setting stage to ensure that the specifics of national legislations are recognized (BC 4.19 to 4.21). Here, the Court of Auditors wish to dwell on the importance of national legislation, in democratic States, endeavoring to define the relevant level for the production of financial statements, done so according to the needs of users represented by national parliaments. The adopted approach will need to be pragmatic and reasonable. Finally, in this particular area we cannot ignore the requirements of the ED for EURO zone States, which for the production of their stability programme, practice a form of data consolidation for national accounts.	
050	C	In our view, the conceptual framework needs to be kept at a high level. Therefore, a discussion on the group reporting entity needs to be both broad and general so as to be applicable to all public sector entities. We do not agree with the way the exposure draft describes the circumstances in which an entity should be included in a group reporting entity. The group reporting entity description from paragraph 4.7 onwards is written from a government perspective and, in our view, is too specific for a conceptual framework. We think that the paragraphs should be written in a more general way so that they can be readily applied by other public sector entities in addition to the government. We are concerned with the words 'capacity to direct the activities of other entities' in paragraph 4.7 that help to determine those entities that should be included in a group reporting entity. In our view, those words are too specific and narrow. To 'direct the activities' of other entities implies active management of those other entities. There are a number of entities in the public sector established by government that do not have their activities directed by government but that should be considered part of the government reporting entity. Further to the above, we have seen entities in the public sector establish other entities to help fulfill their purposes or to further their aims. Even where there is no interference by the public sector entity in the operations of the other entity, the other entity has often been set up so that it benefits the public sector entity in a complementary way (because of the	Noted – similar concerns have been raised by others, in respect of both the level of detail and the focus on governments. The Board had intended that the Framework would establish principles, with authoritative requirements supported by detailed commentary and examples as appropriate would be identified in IPSASs at the standards level. However, some respondents have focussed expressed concerns about, the formulation/wording of the factors to be considered in determining whether an entity should be included within the group. Discuss as Board considers its

R#	CATE-GORY	SMC 4(b) THE GROUP REPORTING ENTITY	STAFF COMMENT
		alignment of the public sector entity's objectives to the entity it establishes). In our view, the words 'direct the activities' are too limiting, and will almost certainly exclude such entities being combined into a group reporting entity when that may not faithfully represent the situation. Based on the above comments, we think the group reporting entity concept is likely to be influenced by more factors than 'directing the activities'. Therefore, the conceptual framework either needs to identify all the relevant factors or be written in such a way that it does not constrain the concept of the group reporting entity. In this way, the conceptual framework is more likely to be helpful when it comes to the setting of specific standards (that is, it will be less likely to impede or limit the way specific standards are set).	approach to this section.
051	D		
052	C	We are of the view that the identification of a group reporting entity is a standards-level rather than a conceptual framework issue.	Noted.
053	D		
054	B	IPSASB's views on the group reporting entity are largely consistent with the standards of PSAB. The government reporting group should include the entities the government has the authority and capacity to direct its activities for the benefit of the government. The government may also be exposed to a financial burden from the activities of the entity it has the authority and capacity to direct. What is missing from IPSASB's conceptual framework is the differentiation the authority and capacity to direct the activities of an entity and regulatory authority. This distinction is especially significant to federations like Canada where the responsibilities of the two levels of government are constitutionally assigned. The Federal Government often provides conditional funding and sets national standards for services which are Provincial responsibilities under the constitution. Health care would be an example. The Federal Government can establish the regulatory framework under which the Provincial health care programs operate. Under IPSASB it could be argued that the Federal Government should consolidate the health services of the Provinces. In fact the Federal Government does not have the authority and capacity to direct the health services of the Provinces. The Provinces still make their own decisions on health care but within the Federal Government's regulatory framework.	Point taken. Regulatory authority was discussed in the Consultation Paper CP#1, with conclusions not dissimilar to those observed here. However, as noted in the Basis for Conclusion, given responses to the CP, the Board reconstructed its discussion to focus on high level principles. The more detailed explanation of those principles and consideration of their application in certain particular circumstances being a matter for standards level guidance. Discuss as Board considers its approach to this section.

OTHER COMMENTS

R#	ISSUE RAISED BY RESPONDENT- other comments	STAFF COMMENT
	IMPLICATIONS FOR AUDIT	
001	The expansion of a public sector entity's GPFR to include other information is likely to impact the role and responsibility of the auditor. Currently, auditors are required under standards issued by the International Auditing and Assurance Standards Board (IAASB) to read the information in documents that contain the audited financial statements and the auditor's report and to report inconsistencies with the audited financial statements or material misstatements of fact in the other information, when such misstatements are identified by the auditor. If GPFR is expanded to include non-financial information such as service delivery or prospective financial reporting then auditors may be asked to provide some form of assurance on that information (see comments above). ISAE 3000, *Assurance Engagements,* is the generic international standard that would be the relevant when providing such assurance. In order to provide assurance, auditors require suitable criteria that they can use to evaluate the subject matter of the engagement. We encourage the IPSAS Board to liaise with the IAASB in terms of the type of criteria auditors would require in order to provide assurance and any additional guidance over that provide in ISAE 3000 that auditors may require for reporting on items such as service delivery and prospective financial information.	Point noted. Chair/staff brief IFAC Board and staff on developments of IPSASB projects.
003	*See comments on verifiability and scope* - There is a need for the Framework to acknowledge in broad terms that different levels of verifiability/assurance are required for the various types of information contained in GPFRs (e.g. financial statements information to be fully audited; fiscal sustainability reports, requiring a lower level of assurance as these include forecasts/estimates).	Noted
006	However, if the IPSASB believes that this type of information should be included in the scope of financial reporting, we believe that the distinction between financial (audited) and non-financial (unaudited) information must be explicitly acknowledged. At present, prospective management information and information about service delivery objectives generally do not form part of the audited financial statements.	Noted
007	Application of the qualitative characteristics in relation to the proposed scope is seen as	Noted. Staff agree will need

R#	ISSUE RAISED BY RESPONDENT- other comments	STAFF COMMENT
	problematic especially from an audit perspective.	to be considered in projects
013	The positive assurance on the GPFSs of public sector entities, provided by auditors in their audit reports, is an importance aspect of the overall governance arrangements of jurisdictions across the world. However, this level of assurance is not extended to the narrative commentaries which accompany GPFS and International Standards on Auditing, which apply in many jurisdictions, are not designed to enable the auditor to give positive assurance on this material. Therefore, from the perspective of the overall arrangements for both the preparation and scrutiny of GPFSs and accompanying narrative commentary, it is important that the IPSASB provide clarity on how it intends the Conceptual Framework to apply to these two distinct components of GPFRs.	Staff will follow up with IAASB re role of IPSASB/IAASB and regulatory framework to establish the "assurance" response.
024	Footnote 2 states that "reference in this document to inclusion of information in GPFRs does not mean inclusion of that information in every GPFR that may be prepared." This statement may cause problems from an audit point of view. As the auditors will audit adherence with the IPSAS standards clear guidance must be set in each standard developed in line with this framework regarding when information must be included and when not; keeping in mind that the requirements in the standards will be subject to the qualitative characteristics and constraints in the framework. Auditors may be required to audit adherence to the framework and standards developed based on the framework. Consequently the audit requirements, as set out in e.g. the International Standards on Auditing (ISAs) and the International Standards of Supreme Audit Institutions (ISSAIs), should be kept in mind in drafting the framework.	Point noted. Staff will follow-up with IAASB staff re their perception of role of IPSASB and IAASB audit
038	By creating standards that exend to financial reports other than financial statements, there could be significant implications from an audit perspective. One might question whether an auditor general would be required or feel compelled to provide an opinion on these financial reports if there were "accounting standards" that governed their preparation. When dealing with non-financial information and service delivery outcomes, the expertise to evaluate and opine on these matters will not reside with financial experts, requiring the use of specialists for both the preparation and audits of the information. These professionals may not be accustomed to following standards established by an accounting body and thus proper understanding and application of any proposed IPSASB standards may become an issue..	Noted. Staff will follow-up with IAASB staff re expectations and concerns relating to use of experts in such situations.
051	I think that the (SMCs) number 1 and 2 is adequate if the IFAC observed the rules for Auditing for Public Sector, this is very important integrated this proposed with the problems, difficulties and impacts for application of IPSAS in others countries, because of this rules, jurisdictions,	Point noted

R#	ISSUE RAISED BY RESPONDENT- other comments	STAFF COMMENT
	cultures and law. I suggest that IFAC included together the actions of plans for auditing in this case, these rules can be integrated for don´t have problems in your implementation, I don´t know but I think that if included transparency we must observed the impact for auditing as described in point 1.3 of this Exposure Draft.	
054	*See comments on QCs – notes impossible to audit information about service delivery achievements in GPFRs because of lack of verifiability.*	Noted
	STRUCTURE OF FINAL CONCEPTUAL FRAMEWORK	
001	We acknowledge the need to approach the development of the Framework in phases as is the current approach being undertaken by the Board. However, we do not believe that the final result should be separate documents issued for each individual phase of the Framework. Instead, we believe one Conceptual Framework document, incorporating the complete Framework, should be issued. The Framework is a single project and a single document will make this clearer and easier for users to understand how the different aspects relate with each other and form part of the whole. Later phases of the Board's joint framework project may need to include amendments to parts of the Framework completed in previous phases. We believe the complete Framework should therefore be exposed in proposal form for public comment prior to issuance in a final document. We believe the relationships between the concepts addressed in each phase of the Framework are sufficiently interdependent such that an opportunity to provide commentary should be provided once all phases are tentatively completed.	As the other components of the Framework are further developed, the Board will identify and consider overarching or cross-over issues. The Board has agreed that, at that stage, the need to expose the full draft Framework will be considered. It is anticipated that the Framework will be a single document – albeit it may include different sections
003	Given the IPSASB's arrangements for release of separate documents for each phase of its Conceptual Framework project, HoTARAC would prefer more clarity about how the finalised Conceptual Framework documentation will be issued e.g. will it be issued as – • one inter-connected document with self-contained chapters for particular matters (e.g. elements and recognition, measurement etc); • one document setting out the over-arching principles, which HoTARAC presumes would relate to Phase 1, with separate documents that deal with specific aspects (e.g. elements and recognition, measurement etc) that are subject to the over-arching principles; or • some other arrangement.	Staff anticipates that the Framework will be a single document – albeit it may include different sections/chapters.

R#	ISSUE RAISED BY RESPONDENT- other comments	STAFF COMMENT
014	*See overall comments – notes all BCs should be grouped at end of the Framework, not after each chapter.*	
003	***Statistical financial reporting models*** On page 4 of the Consultation Paper the IPSASB is considering the potential for convergence with the concepts underlying statistical financial reporting models in developing the Conceptual Framework. HoTARAC prefers that the focus instead be on the underlying conceptual merits for general purpose financial statements. However, should the IPSASB identify more than one approach as being suitable, HoTARAC would support selection of that basis that most closely aligns with the Government Finance Statistics (GFS) statistical model.	Noted
003	***Communication processes*** HoTARAC also recommends that the IPSASB clearly communicate to constituents how and when the eventual outcomes of the IPSASB's Conceptual Framework project will be reflected in existing IPSASs, to ensure consistency across all IPSASB pronouncements. HoTARAC notes that this should not form part of the Framework.	Point taken re communication. Staff anticipates that as Framework is completed Board will consider how /when it will proceed on these matters.
035	***Focus on governments*** *In response to issue SMC 4(a) Respondent noted: The language used in this Exposure Draft has been improved but still overly focuses on governments rather than all public sector entities. Makes similar observation in respect of users.*	Point noted- consider in drafting review
050	***Focus on governments*** We note that the wording used throughout the conceptual framework appears to be predominantly focused on the government. We are of the view that the conceptual framework should be written in a more general way to focus on public sector entities including a government rather than written with a strong focus on the government perspective.	Point noted- consider in drafting review

CONCEPTUAL FRAMEWORK PHASE 1

Review of responses to CP#1 & development of Phase 1-ED

Summary of IPSASB Decisions made to date

IPSASB Meetings: May 2009, December 2009, April 2010, June 2010 and November 2010

The following identify the decisions regarding substantial matters agreed by the IPSASB at meetings held in May 2009, December 2009, April 2010, June 2010 and November 2010. They are drawn from the IPSASB minutes of each meeting. They do not encompass decisions relating to all editorial, phrasing or explanatory matters. Rather they focus on broad directional/strategic decisions. For a fuller explanation of the IPSASB deliberations on this Phase of the Framework refer to the minutes themselves.

This register of decisions was updated following each IPSASB meeting at which Phase I of the Conceptual Framework was discussed.

Re Analysis of documents

The analysis of responses to CP#1 should be updated to provide a profile of the types of respondent by region and to remove the staff view on whether a particular respondent supported or opposed a particular Preliminary View. This approach is to be adopted for all public documents analyzing responses to an IPSASB consultation paper or similar. **(Agreed May 2009)**

Re Development Program and Process and Format of Phase 1-ED

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

Development of the Framework will be progressed as originally conceived – that is, the IPSASB will issue consultation papers identifying its preliminary views on each component of the Framework and then prepare and issue an exposure draft (ED) of the full Framework for comment. Subject to those comments the Framework will be finalized. **(Agreed May 2009)**

When the draft of ED of Phase 1 of the Framework is further developed, the IPSASB will consider whether it should be issued at the same time as Consultation Papers on Phases 2, 3 or 4 are issued. **(Agreed April 2010)**

Framework Phase 1 ED unanimously approved for issue for a six month exposure period. The Framework Phase 1 ED is to be issued at the same time as the issue of Consultation Papers dealing with Phases 2 and 3 of the Framework. **(Agreed November 2010)**

The title of Framework Phase 1 ED is to be shortened to read: “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and The Reporting Entity”. **(Agreed November 2010)**

The IPSASB will issue an ED of the Phase 1 components of the Framework when approved, ideally with the CPs dealing with Phase 2 and Phase 3 components of the Framework. It is anticipated that the ED (and CPs of Phase 2 and Phase 3 components) will be approved in November 2010. **(Agreed June 2010)**

The existing structure of the draft Phase 1 ED (comprising four sections with a separate basis for conclusions for each section) is to be retained for the ED. In its final form, the Conceptual Framework is to draw together each component of each phase and include a single basis for conclusions. **(Agreed June 2010)**

The ED is to include a number of specific matters for comment dealing with significant issues/matters including those that were of most concern to respondents to CP#1 (**Agreed June 2010** – note this matter is still subject to review of the specific matters for comment and confirmation at the Nov 2010 meeting.)

Differences from the IASB Framework and, where relevant, the System of National Accounts 2008 (SNA 2008) (and the statistical models of financial reporting derived from it as currently adopted by the EU and IMF) are to be identified and included in an appendix at the end of each section of the Phase 1 ED. The appendix is not to: (a) attempt to justify or explain the reasons for the differences; or (b) identify differences from positions proposed in IASB Discussion Papers or IASB EDs. (**Agreed June 2010**)

The style, content and title of the updated appendices dealing with the IASB Framework and statistical bases of financial reporting are appropriate. Whether the appendices should be combined in the final Conceptual Framework will be revisited as the Conceptual Framework is being finalized. **(Agreed November 2010)**

All the paragraphs of the Conceptual Framework are to have equal status - consequently no paragraphs are to be presented in bold type. (A**greed June 2010**)

Throughout the Framework Phase 1 ED, the references to financial statements and their notes is to be amended to read financial statements including their notes. **(Agreed November 2010)**

The phrase “a more comprehensive basis of financial reporting” rather than “a broader scope of financial reporting” is to be used in the text and basis for conclusions as appropriate/where possible. **(Agreed June 2010)**References in the basis of conclusions to “the views of some IPSASB Members,” or similar terms, are to be deleted. **(Agreed June 2010)**

The draft ED is not to include quotations from existing IPSASs. Quotations included in the current draft are to be deleted and replaced by a general observation of the point intended and a cross reference to the relevant IPSAS. **(Agreed June 2010)**

There should be no acknowledgement that the IPSASB encourages adoption of the accrual basis in the text of the Conceptual Framework, in introductory material, or in the Basis for Conclusions. **(Agreed November 2010)**

References to the cash basis of accounting and plans to consider concepts that underpin the cash basis at a later date should be deleted. **(Agreed November 2010)**

General Purpose Financial Reports

This draft ED of the Framework is to reflect that GPFRs may encompass multiple reports each responding more directly to certain aspects of the objectives of financial reporting and/or of the broad scope, as appropriate. (**Agreed May 2009.)** Note: "may encompass..." is to be re-expressed as "is likely to encompass ..." **Agreed June 2010**)

The text of the ED or the basis of conclusions is to acknowledge that, in making decisions that extend the scope of financial reporting, the IPSASB will consider the need for, and benefits of, the information to users and the capacity of preparers to compile such information. **(Agreed June 2010)**

Authority of the Framework – CP Preliminary View 1

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

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

The IPSASB confirmed that the authority of the Framework as currently identified in the PV is appropriate and should be retained, but that commentary/basis for conclusion in the ED of the Framework should explain that:

- The Framework identifies the broad principles that underpin the development of IPSASs. The authoritative requirements are established by the IPSASs after application of a due process which provides the opportunity for interested parties to provide input on the specific requirements proposed, including their compatibility with current practices in different jurisdictions;
- The IPSASB is of the view that existing authoritative requirements should not be overturned without the application of due process; and
- Once the Framework is issued, the IPSASB will review extant IPSASs and identify and, through application of the due process, address circumstances where there is substantial conflict between the IPSAS and the Framework. **(Agreed May 2009)**

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

The text of the ED and/or basis for conclusions as appropriate is to acknowledge that the Conceptual Framework will establish principles that will apply in developing IPSASs and non-authoritative guidance. **(Agreed June 2010)**

The text of the ED is not to refer to differential reporting. In addition, sections of the basis for conclusion which identify the views of respondents to CP#1 in respect of differential reporting are to be modified to simply note that the Framework does not deal with differential reporting issues. References to actions the IPSASB may take in respect of differential reporting issues are to be deleted**. (Agreed June 2010)**

The basis for conclusions is to explain that the IPSASB develops IPSASs and non-authoritative guidance for public sector entities. However, this Conceptual Framework has been developed for public sector entities other than GBEs. Consequently, it does not apply to GBEs. **(Agreed June 2010)**

General Purpose Financial Reports (GPFRs)- Preliminary View 2

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

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

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

The definition of GPFRs is to read: *"GPFRs are financial reports intended to meet the common information needs of users who are unable to demand the preparation of financial reports tailored to meet their specific information needs."* **(Agreed April 2010)**

The phrase "common information needs is to be retained for review in the draft ED". The ED is to explain that when developing IPSASs the Board may need to make decisions about the relative importance of the issues identified by users. **(Agreed April 2010).** The word "common" is to be removed to align with the definition in para 2.1 **(Agreed November 2010).**

"Demand" is to be replaced by "require" in the definition of GPFRs. The definition is to read: *"GPFRs are financial reports intended to meet the common information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs."* This terminology is to be used consistently throughout the ED. **(Agreed June 2010)**

The Users of GPFRs -

Preliminary View 3

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

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

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

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

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

Whether or not a primary user of GPFRs should be identified, and the identity of that primary user was discussed – working decisions on this issue not yet made. **(May 2009 and December 2009)**

The draft ED is to identify service recipients and their representatives and resources providers and their representatives as the primary users of GPFRs, and explain their relationship to citizens and the legislature, parliament or other representative body as included in the staff paper. **(Agreed April 2010 – confirmed June 2010)**

The Basis for Conclusions is to explain that classifying citizens as service recipients and resource providers establishes a basis for assessing their potential information needs**. (Agreed November 2010)**

The text or basis for conclusions of the draft ED is to reflect that:

- the nature, role and objectives of governments and their agencies are different from private sector business entities;
- resource providers may include both voluntary and involuntary resource providers - governments have an obligation to be accountable to resource providers as well as service recipients for use of the resources raised;
- bond rating agencies, governments as providers of resources to international organizations and employees and other internal resource providers may be users of GPFRs;
- elected or appointed bodies such as parliaments and councils often make extensive use of GPFRs and are often perceived as a major user of GPFRs;
- the IPSASB considered whether or not to identify a primary user group, and the user groups that might be considered as the primary users;
- other components of the Framework will deal with presentation and display. **(Agreed April 2010)**

Parties that advise service recipients and resource providers may also be users of GPFRs, but are not to be identified as primary users. **(Agreed June 2010)**

The basis for conclusions is to note that the IPSASB did not identify a primary user group (or primary user groups) in PV3 of CP#1. **(Agreed June 2010)**

The basis for conclusions is to clarify that individual members of parliament may require the disclosure of the information they need in the discharge of their official/parliamentary duties. **(Agreed June 2010)**

Objectives of Financial Reporting - Preliminary View 4

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

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

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

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

The plural "objectives", rather than the singular "objective", of financial reporting is to be used in the ED. Those objectives are to be identified as to provide information that is useful for accountability purposes and information useful for decision making. **(Agreed June 2010)**

Explanation should acknowledge that different potential users of GPFRs of public sector entities may have a different capacity for and focus on decision making; and different components of GPFRs may be of greater significance for accountability purposes and decision-making purposes. **(Agreed May 2009)**

Rather than referring to "taxpayers and ratepayers" the Framework Phase 1 ED is to refer to only "taxpayers" throughout, consequential amendments made to reference to "taxes and rates" **(Agreed November 2010)**

The Scope of Financial Reporting - Preliminary View 5

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

- economic resources of the reporting entity at the reporting date and claims to those resources;
- the effect of transactions, other events, and activities that change the economic resources of the reporting entity and claims to those resources during the reporting period, including cash inflows and outflows and financial performance;
- the reporting entity's compliance with relevant legislation or regulation and legally adopted or approved budgets used to justify the raising of monies from taxpayers and ratepayers;
- the reporting entity's achievement of its service delivery objectives; and
- prospective financial and other information about the reporting entity's future service delivery activities and objectives, and the resources necessary to support those activities.

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

Evolution of the Scope of Financial Reporting - Preliminary View 5

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

A broad scope for general purpose financial reporting as proposed in the Consultative Paper is appropriate. While not unlimited, the scope of financial reporting should be allowed to develop in response to users' information needs. **(Agreed May 2009 -** reconfirmed in June 2010 after consideration of responses to CP "Reporting on the Long-Term Sustainability of the Public Finances".)

The ED is to explain that the financial performance of public sector entities is not fully reflected by notions of surplus and deficit (or profit and loss). Rather information about financial performance provides input for analysis of such matters as the purposes for which resources were used, and the costs and efficiency of service delivery during the reporting period. **(Agreed June 2010)**

The Conceptual Framework is to establish broad principles. Projects dealing with specific financial reporting issues are to explain and justify how they relate to the Conceptual Framework – including the scope of financial reporting. **(Agreed June 2010)**

The Framework ED should make clear that the establishment of a broad scope for financial reporting does not mean that it is inevitable that an IPSAS will be developed to direct reporting on these matters. IPSASs may include encouragements as well as requirements, and best practice guidance rather than IPSASs may also be developed on certain matters. **(Agreed May 2009)**

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

The draft ED or basis for conclusions dealing with prospective financial and other information is to include a brief explanation of why information about fiscal sustainability is relevant for accountability and decision making purposes. **(Agreed June 2010)**

The basis for conclusions is to explain that while information about compliance with budgets may be included in GPFRs, GPFRs will not deal with the "format" or "formulation" of budgets. **(Agreed June 2010)**

Explanation that GPFRs will not deal with matters related to the format or formulation of budgets and acknowledge that compliance information may also be included in budget execution or other reports issued by governments, are to be deleted. **(Agreed November 2010)**

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

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

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

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

Subject to further consideration of responses at future meetings, the existing suite of QCs and their explanation is appropriate for application to information to be included in general purpose financial statements. (**Agreed May 2009)**

The following matters are to be revisited at future meetings, whether:

- The term reliability or faithful representation was more appropriate for application to the GPFSs of public sector entities;
- The role of prudence and substance over form was appropriately expressed; and
- The operation of materiality and cost as a constraint in the public sector context needed further explanation. **(Agreed May 2009)**

The draft Framework ED is not to include a notion of fundamental and enhancing characteristics or otherwise establish some characteristics as being of greater important than others - current guidance in the CP#1 that the relative importance of the QCs in different circumstances is a matter of professional judgment responds appropriately to the circumstances of public sector entities. **(Agreed May 2009)**

The basis for conclusions in the draft ED will include an explanation of the reasons for differences in the QCs proposed for public sector entities and those identified by the IASB. **(Agreed May 2009.** Note differences from IASB Framework are now to be included in an appendix without explanation – **agreed June 2010.)**

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

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

The QCs apply to information included in GPFRs but their applicability to the broader scope of financial reporting may be further clarified, including by providing additional guidance in projects dealing with reporting on long-term sustainability of public finances, narrative reporting, and performance reporting. **(Agreed April 2010)**

"Supportability" is to be identified as a subset or component of verifiability applicable to qualitative information—as it was in CP#1. **(Agreed April 2010)**

"Substance over form" and "prudence" are not to be identified as qualitative characteristics. The text or basis for conclusions is to explain that faithful representation requires that the substance, and not merely the legal form, of economic and other phenomena be presented in GPFRs, and the key features of prudence as identified in Appendix 2 of IPSAS 1 are reflected in the concepts of faithful representation, including neutrality. **(Agreed April 2010)**

"Cost-benefit" rather than "cost" is to be identified as the constraint. The text or basis for conclusions is to include explanation as necessary to acknowledge that:

- all efforts should be undertaken to represent economic and other phenomena included in GPFRs in a way that was understandable to a wide range of users. and
- materiality applies to the broad scope of financial reporting. **(Agreed April 2010)**

The identification of materiality as a constraint on information that is included in GPFRs, and the explanation of its operation is to be retained. However, whether materiality should be classified as a constraint or as an entity specific component of relevance is to be raised as a specific matter for comment. **(Agreed November 2010)**

The discussion of cost-benefits is to note that when the benefits to users of including information in GPFRs is significant, information that satisfies the qualitative characteristics should not be "sacrificed" or given-up unless the costs of providing it are assessed to be greater than its benefits. **(Agreed June 2010)**

The Basis for conclusions is to clarify that disclosure and other requirements are included in IPSASs only when they are considered to satisfy the qualitative characteristics and the cost-benefit constraint. (**Agreed November 2010)**

Additional QCs are not to be identified, but the ED is to explain that application of the full set of QCs and compliance with IPSASs will enhance the transparency of financial reports and achievement of the objectives of financial reporting. The ED is also to explain that the notion of "regularity" as used in many jurisdictions was related to "compliance" as used in CP#1 and IPSASs. **(Agreed April 2010)**

Members expressed differing views about whether "faithful representation" or "reliability" should be identified as a QC but agreed "faithful representation" should be used in the first draft of the ED and the basis for conclusions should more fully explain the reasons for the change in terminology. Members would then reconsider the issue at the next meeting. **(Decision not yet made. Issue still under discussion - April 2010)**

The term "faithful representation" rather than "reliability" is to be used in the Phase 1 ED. A specific matter for comment is to seek constituents' views on whether this terminology should be retained in the Conceptual Framework when finalized. **(Agreed June 2010)**

A consistent style for the title of the section on current status of the IASB Framework should be adopted throughout the ED. **(Agreed April 2010.** Note differences from IASB Framework are now to be included in an appendix **- Agreed June 2010)**.

The explanation of why the IPSASB does not identify some QCs as fundamental and others as enhancing should note that in a number of jurisdictions something that is fundamental is perceived as more important than something that is enhancing, **(Agreed April 2010)**

Characteristics of a Reporting Entity - Preliminary View 8

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

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

Composition of a Group Reporting Entity - Preliminary View 9

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

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

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

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

The basis for conclusion is to reflect that the IPSASB "assumes" that the factors (as identified in draft ED reviewed in June 2010) will be considered by the legislature or other authority in designating particular public sector entities, programs or other identifiable activities as reporting entities. **(Agreed June 2010)**

Aspects of the draft ED dealing with PV 9 should focus on only the high level principles for determining the composition of the group entity and:

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

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

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

The "black letter" paragraph is to reflect that a key characteristic of a reporting entity is the existence of users who are dependent on GPFRs for information about the reporting

entity. **(Agreed April** 2010. Note all black letter paragraphs are to be removed from the draft ED. **Agreed June 2010)**

The text is to include a reference to the likely information needs of "resource providers and service recipients" in respect of the whole-of-government reporting entity. **(Agreed April 2010)**

Paragraph 9 of the proposed draft ED is to be deleted and the discussion of the power and benefit or financial burden/loss characteristics 'generalized. **(Agreed April 2010)**

Paragraphs 2 and 12 of the draft ED are to be combined. **(Agreed April 2010)**

The basis for conclusions is to explain why the IPSASB adopted the terminology "group reporting entity" rather than "economic entity". **(Agreed April 2010)**

The explanation of the reporting entity concept in the proposed IASB Framework and in statistical financial reporting models is to be updated as necessary. **(Agreed April 2010.** Note differences from IASB Framework are now to be included in an appendix without explanation of differences - **Agreed June 2010)**

The structure of this component of the draft ED reviewed in June 2010 is appropriate and is to be retained for the updated draft of the Phase 1 ED. **(Agreed June 2010)**

The ED is to refer to the entities that a government has the "authority and capacity" to direct, rather than entities it has the "power" to direct. **(Agreed June 2010)**

The draft ED is to clarify that both the capacity and authority to direct the activities of another entity and the potential exposure to a benefit or a financial burden/loss as the result of the activities of that entity must be present for an entity to be included in the government reporting entity. **(Agreed June 2010)**

The draft ED is to acknowledge that the capacity and authority to direct the activities of another entity may exist even where the government chooses not to exercise that authority. **(Agreed June 2010)**

As appropriate, the text of the ED or its basis for conclusions is to acknowledge that some public sector entities with statutory independence may be included within the whole of government group reporting entity for financial reporting purposes. **(Agreed June 2010)**