

Government of Newfoundland and Labrador
Department of Finance
Office of the Comptroller General

June 15, 2011

Ms. Stephenie Fox, Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Dear Ms. Fox:

Re: IPSASB CF-ED1-Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Phase I)

I offer the following comments to IPSASB on the Conceptual Framework Exposure Draft CF-ED1-*Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* on behalf of the Provincial Government of Newfoundland and Labrador.

General Comments

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 information that is useful and informative for the primary user.

In relation to CF-ED1, 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. These concerns are detailed below in relation to specific matters for comment. Further, it is to be noted that our concerns are to be reiterated in relation to continuing reference within the consultation papers of Phase II and III of the Conceptual Framework project.

Role, Authority and Scope

While it is agreed that the scope of the framework should be determined by the information needs of the primary user and the objectives of financial reporting, 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.

Objectives and Users

It is agreed that the objectives should provide information that is useful to the users which support accountability and decision-making. However, in 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.

While in essence, the ED proposes users to be the public and their representatives, 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.

Qualitative Characteristics

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.

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.

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.

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.

Public Sector Reporting Entity

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.

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.

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 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."

Thank you for the opportunity to provide my comments on this issue. If you require further information, please contact myself or Carmalea Gillingham, Accounting Research Specialist, at (709) 729-4049.

Yours truly,

RONALD A. WILLIAMS, CA
Comptroller General of Finance

cc: Terry Paddon, Deputy Minister of Finance

Advancing Government Accountability

2208 Mount Vernon Ave
Alexandria, VA 22301

(703) 684-6931
(703) 548-9367 (fax)

June 15, 2011

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 Canada

To the Director:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) is pleased to submit comments to the International Public Sector Accounting Standards Board (IPSASB) on the Exposure Draft (ED) entitled "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, Phase 1". With more than 15,000 members, the AGA is a leading United States organization supporting the careers and professional development of government finance professionals working in the federal, state and local governments as well as the private sector and academia.

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. Financial statements by themselves (even comparative financial statements) provide a limited snapshot of the public sector entity, which is insufficient to effectively evaluate its performance and meet the needs of the users. 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.

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.

Specific Matters for Comment

1. Role, authority and scope of the Conceptual Framework

We agree with the general role, authority and scope of the Conceptual Framework. The 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. As noted above, we support the recognition of the other elements of the GPFR beyond the financial statements.

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

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.

Users of general purpose financial reports (ED ¶ 2.3 – ¶ 2.6). 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.

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.

- ¶ 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).

Information Provided by General Purpose Financial Reports (ED ¶ 2.14 – ¶ 2.25). 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 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.

3. Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities
    a. Should "faithful representation" rather than "reliability" be used in the Conceptual Framework to describe the qualitative characteristic that is satisfied when the depiction is complete, neutral, and free from material error?

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.

    b. Should materiality be classified as a constraint on information that is included in GPFRs or as an entity-specific component of relevance?

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.

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.

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. The concept of "intergovernmental dependence" is unique within the public sector, but the impact on the reliability of financial reporting is not. Such explicit relationships in the commercial sector, usually through inadequately disclosed loan guarantees, have resulted in unexpected and significant changes to an entity's financial condition, impacting their usefulness to readers. The existence of "implicit" relationships and intergovernmental dependence requires more guidance under a concept statement, due to their subjective nature.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of members approved the issuance of this letter. If you have questions concerning the comments in this letter, please contact me at cpaesp@att.net.

Sincerely,



Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Lisa Casias, CPA
AGA National President

Association of Government Accountants
Financial Management Standards Board

July 2010 – June 2011

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Opinions of the Federation of Professional Councils of Economic Sciences (FACPCE)

Phase 1 —the scope of financial reporting, the objectives of financial reporting and the users of GPFRs, the qualitative characteristics of information included in GPFRs and the reporting entity;

Specific matters for comment

1 Role and Authority of the Conceptual Framework, and the Scope of the General Purpose Financial Reporting.

Paragraph No.	Paragraph Reference	Opinion
1.2	**Authority of the Conceptual Framework** This Conceptual Framework does not establish authoritative requirements for financial reporting by public sector entities that adopt IPSASs, nor does it override the requirements of IPSASs. However, it may provide guidance in dealing with financial reporting issues not dealt with by IPSASs or non-authoritative guidance issued by the IPSASB. In these circumstances, preparers and others can refer to and consider the applicability of the definitions, recognition criteria, measurement principles and other concepts identified in this Conceptual Framework. In some cases, an IPSAS may identify circumstances where the definitions and other concepts in this Conceptual Framework have authoritative status.	**Authority of the Conceptual Framework** This Conceptual Framework does not establish authoritative requirements for financial reporting by public sector entities that adopt IPSASs, nor does it override the requirements of IPSASs. Nevertheless, **it will provide** guidance in dealing with reporting issues …. Rationale: 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. In this way, it is in concordance with the definition in paragraph 1.1.
1.6	**Scope of Financial Reporting** GPFRs of public sector entities includes, but are more comprehensive than financial statements, including these notes.	The comments should be included in the body, not as footnotes.

	They can report information about the past, present and 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.[1]. GPFRs are likely to compromise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. The format of presentation adopted by GPFRs will also respond to, and be influenced by matters included within the scope of financial reporting.	
1.8	**Applicability of the Conceptual Framework:** The Conceptual Framework applies to financial reporting by public sector entities other than GBEs. Therefore, it applies to GPFRs of national, state/provincial and local governments. It also applies to a wide range of other public sector entities, including government ministries, departments, programs, boards, commissions, agencies, public sector social security funds, trusts and statutory authorities and international governmental organizations that are public sector entities.	As a generic definition, "Decentralized and Deconcentrated" entities should be incorporated, understanding that: **Decentralized:** Entities within the General Government Sector (GGS) with autonomy and autarky for funds management. **Deconcentrated:** Entities within the General Government Sector (GGS) with autonomy and autarky for funds management, but with authority issued by law with more autonomy, for political or economic reasons, which allows them to remain outside the financial administrative circle, such as Tax Authorities (AFIP) or entities that manage retired people's health care and other matters (PAMI).

2. Goals of the financial reporting and General Purpose Financial Reporting Users

[1] The reference hereby to the inclusion of information in the GPFRs does not imply that the inclusion of such information in all the GPFRs may be prepared.

Paragraph No.	Paragraph Reference	Opinion

3. Qualitative Characteristics of, and Constraints on, Information included in General Purpose Financial Reports.

Paragraph No.	Paragraph Reference	Opinion
BC 3.8	**Faithful Representation** The Conceptual Framework explains that to be useful information, it must be a faithful representation of the economic and other phenomena that it purports to represent. A single economic or other phenomenon may be represented in many ways.	We agree on the FAITHFUL REPRESENTATION terminology.

4. The Reporting Entity and Group Reporting Entity

Paragraph No.	Paragraph Reference	Opinion
4.6	In some cases, GPFRs for these entities may be prepared on a voluntary basis.	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".
4.8	The benefits derived from the government (or other public sector entity) from the entities whose activities it has the authority and capacity to direct may be financial, such as a..."	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;
w/pn	w/p	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.

The Institute of Chartered Accountants of Pakistan

HEAD OFFICE

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2,
CANADA

June 15, 2011

Subject: **Comments On 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 Entities'**

Dear Sir,

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.

If you require any further clarification, please do not hesitate to contact us.

Yours faithfully,

Haroon Tabraze
Director Technical Services
The Institute of Chartered Accountants of Pakistan
haroon.tabraze@icap.org.pk

COMMENTS ON CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: ROLE, AUTHORITY AND SCOPE; OBJECTIVES AND USERS, QUALITATIVE CHARACTERISTICS; AND REPORTING ENTITIES

Specific Matters for Comment

The IPSASB would particularly value comments on whether you agree with the:

1. Role, authority and scope of the Conceptual Framework;

Comments

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.

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

Comments

Objective of the financial reporting by public sector organization is fairly straight forward and covers both the aspect of accountability and decision making.
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.

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

(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; and

Comments

"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"

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

Comments

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.

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.

Comments

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. In addition to the legislation, authority and capacity to direct activities of another entity is an appropriate characteristic to indicate existence of group.

INSTITUT DER WIRTSCHAFTSPRÜFER

Institut der Wirtschaftsprüfer
in Deutschland e. V.

Wirtschaftsprüferhaus
Tersteegenstraße 14
40474 Düsseldorf
Postfach 32 05 80
40420 Düsseldorf

TELEFONZENTRALE:
+49 (0)211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:
+49 (0)211 / 454 10 97

INTERNET:
www.idw.de

E-MAIL:
info@idw.de

BANKVERBINDUNG:
Deutsche Bank AG Düsseldorf
BLZ 300 700 10
Kto.-Nr. 7480 213

June 10, 2011

Ms. Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto
Ontario M5V 3H2
CANADA

Dear Ms Fox

Phase I of 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**

We would like to thank you for the opportunity to provide the International Public Sector Accounting Standards Board (IPSASB) with our comments on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (hereinafter referred to as “the framework”).

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 International Public Sector Accounting Standards. As, in the meantime, the IPSASB has substantially completed its conversion project establishing public sector specific financial reporting standards based on those for the private sector as

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamannt, RA

promulgated by the IASB, it is opportune for the IPSASB to concentrate significant resources on bringing this important project forward.

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.

Subject to the above, our responses to the issues raised for comment in the exposure draft are as follows:

INSTITUT DER WIRTSCHAFTSPRÜFER

1. *Role, authority and scope of the Conceptual Framework*

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, since it clarifies the authority of the framework in the direct context of current standards already set by the IPSASB, which is not clear from the first sentence of that paragraph. We therefore suggest 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."

2. *Objectives of financial reporting by public sector entities and the primary users of GPFRs (General Purpose Financial Reports) of public sector entities and their information needs*

Objectives:

We agree with the proposed objectives: "to provide information about the entity that is useful to users of GPFRs for accountability and decision-making purposes". 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.

Primary users and their information needs:

We also 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.

However, 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.

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

   In particular, whether:

   (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; and

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

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.

In response to a)

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 characteristics, we still do not fully support this change. We continue

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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[1], 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[2] 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.

In response to 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.

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.*

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1 http://www.idw.de/idw/portal/d423366/index.jsp

2 http://download.pwc.com/ie/pubs/2011_cutting_costs_and_cutting_fraud.pdf

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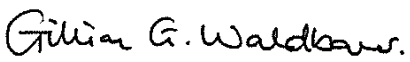
The basis discussed appears appropriate in a public sector context and it essentially follows the same principle as established in IAS 10, which was issued recently. We have no additional comments on this issue.

We hope our comments will be useful to the IPSASB in drafting this phase of the framework. We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely





Klaus-Peter Naumann
Chief Executive Officer

Gillian Waldbauer
Technical Manager International Affairs

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

Corporación de Derecho Público.

Miembro de: F.E.E, e I.F.AC.

C.I.F.: Q2873011G

General Arrando, 9
28010 MADRID

Teléf.: 91 446 03 54
Fax: 91 447 11 62
E-mail : auditoria@icjce.es

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2 CANADA
Email to: EDComments@ifac.org, StephenieFox@ifac.org

Re: IPSASB Exposure Draft CF-ED1

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

Madrid, June 15, 2011

Dear Ms Fox,

ICJCE (Instituto de Censores Jurados de Cuentas de España) is pleased to comment on this Exposure Draft.

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.

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.

- As regards the users of GPFRs, 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.

  In Spain, the Tribunal de Cuentas (Court of Accounts) is the supreme financial accounts body, and is also responsible for both the state and the public sector's economy management, without detriment to its own jurisdiction, in accordance with the Constitution and its Organic Law.

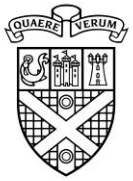
We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,



Leticia Iglesias
CEO

THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



Response from
The Institute of Chartered Accountants of Scotland to
the International Public Sector Accounting Standards Board

CONCEPTUAL FRAMEWORK EXPOSURE DRAFT

15 June 2011

INTRODUCTION AND KEY POINTS

Introduction

The Public Sector Committee of The Institute of Chartered Accountants of Scotland (ICAS) welcomes the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB's) exposure draft on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. The Public Sector Committee is a broad based committee of ICAS members with representation from across the public services.

The Institute's Charter requires its Committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Key points

- 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 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'.

- 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.

- 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.

- 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. 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.

Our comments on the specific matters for comment are set out in the following section of our submission.

COMMENTS ON THE EXPOSURE DRAFT

Specific matters for comment

Specific matter for comment 1
Do you agree with the material on the role, authority and scope of the Conceptual Framework?

Comments

Role
The role of the Conceptual Framework set out in paragraph 1.1, of chapter 1, of the exposure draft is appropriately described, including its role in relation to non-authoritative guidance.

Authority
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 that:

"The Board recognises that in a limited number of cases there may be a conflict between the Conceptual Framework and an IFRS. In those cases where there is a conflict, the requirements of the IFRS will prevail over those of the Conceptual Framework. 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."

Scope
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.

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).

Other comments
The basis for conclusions defines and refers to special purpose financial reports. We understand that the Conceptual Framework and accompanying standards and guidance are designed for GPFRs and that this material may be used or adapted for the preparation of special purpose financial reports. However, we would welcome the inclusion of a paragraph which positively defines special purpose financial reports and their status in relation to the Conceptual Framework within chapter 1 on the Role and Authority of the Conceptual Framework and the Scope of General Purpose Financial Reporting. We believe that this would be helpful to users of the Conceptual Framework.

Specific matter for comment 2
Do you agree with the material on the objectives of financial reporting by public sector entities and the primary users of general purpose financial reports of public sector entities and their information needs?

Comments
We support the emphasis given to the objective of accountability included within the Conceptual Framework. 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.

Our comments on the information provided by GPFRs are included within our comments on scope within specific matter for comment 1.

Specific matter for comment 3

Do you agree with the material on qualitative characteristics of, and constraints on, information included in general purpose financial reports of public sector entities, in particular, whether:

(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; and

(b) Materiality should be classified as a constraint on information that is included in general purpose financial reports or as an entity-specific component of relevance?

Comments

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. However, we have the following comments to make on the IPSASB's approach:

- 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.

- 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.

- Prospective financial and non-financial information features in chapter 2 of the exposure draft within information provided by general purpose financial reports. We do not believe that prospective information is capable of complying with all qualitative characteristics of financial reporting and support the approach set out by the IASB towards forward looking information in its 'Practice Statement on Management Commentary'.

  Under the heading 'Principles', the Practice Statement says:

  "Management should present commentary that is consistent with the following principles:
  (a) to provide management's views of the entity's performance, position and progress; and
  (b) to supplement and complement information presented in the financial statements. (paragraph 12)

  In aligning with those principles management commentary should include:
  (c) forward looking information; and
  (d) Information which possesses the qualitative characteristics described in the Conceptual Framework for Financial Reporting. (paragraph 13)"

  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.

- 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.

Specific matter for comment 4

Do you agree with the material on 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?

Comments

Paragraph 4.1, of chapter 4, states that: "A public sector reporting entity is a government or other public sector organisation, program or identifiable activity that prepares general purpose financial reports."

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.

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.

Other comments

The accruals basis of accounting

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.

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.

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.

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)
Swiss Public Sector Financial Reporting Advisory Committee

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

Lausanne, June 7, 2011

Swiss Comments to
ED Conceptual Framework, Phase 1

Dear Stephenie,

With reference to the request for comments on the proposed Exposure Draft, we are pleased to present the Swiss Comments to the Phase 1 of the Conceptual Framework.

We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP

Prof Nils Soguel, President

Sonja Ziehli, Secretary

Swiss Comments to the Phase 1 of the CF

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)
Swiss Public Sector Financial Reporting Advisory Committee

Swiss Comments to the Exposure Draft

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities Phase 1

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3.3.1 (a) Whether "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. 3

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

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Sekretariat / Secrétariat / Segretariato
IDHEAP · Quartier UNIL Mouline · CH – 1015 Lausanne
T 021-557.40.58 · F 021-557.40.09

1. Introduction

During its meeting on April 7, 2011, the Swiss Public Sector Financial Reporting Advisory Committee agreed upon the following statement for the attention of the IPSAS Board. The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPSP) was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level. One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

2. Fundamental Comments on the Exposure Draft 1

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.

3. Detailed Comments on the Specific Matters for Comment

3.1 Role, authority and scope of the Conceptual Framework

A clear distinction should be made between the *General Purpose Financial Statements* (GPFSs) and the other *General Purpose Financial Reports* (GPFRs). Compulsory Standards (IPSASs, *authoritative*) are to be issued for GPFSs, but not for GPFRs. They are to be described in the Conceptual Framework or in Recommendations (*guidelines, non-authoritative*).

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.

1.2: … However, it ~~can~~ provides guidance in dealing with …

The Framework's status is clearer, if „can" is omitted.

1.8: 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.

The characteristics of Government Business Enterprises (GBEs) pursuant to IPSAS 1, Heading 7, appear to be incomplete. An important characteristic for evaluation is that they act in a market and that they are profit-oriented.

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.

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

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.

2.1: The expressions *services* and *resources* should be clearly defined.

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.

2.14 ff: 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.

3.3 Qualitative characteristics of, and constraints on, information included in GPFRs of public sector entities

3.39: 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*.

BC3.29: 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.

3.3.1 (a) Whether "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.

The expression *„Faithful representation"* is preferred.

The expression *„Faithful representation"* should be chosen, in order to avoid an unjustified departure from the IFRS.

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

Materiality is considered to be an important criterion for information in the GPFRs and should therefore be governed in the Conceptual Framework.

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.

3.4 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

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 private sector.

Lausanne, June 7, 2011