

# Reporting on the Long-Term Sustainability of an Entity's Finances

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# Objective of Long-Term Fiscal Sustainability Session

- To obtain directions on the issues set out in Agenda Paper 8.1
- To obtain directions on the proposed draft RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*

## Background

- ED 46 issued in October 2011
- Comments requested by February 29, 2012
- 38 responses received
- Detailed analysis of responses considered at September 2012 meeting

## Issue: “Vulnerability” Dimension

- Proposal to replace “Vulnerability” dimension with “Revenue capacity” because concept of vulnerability applies to each dimension
- Draft definition in paragraph 7 of AP 8.1

## Issue: Definition of “Projection” and Relationship to Budgets and Forecasts

- Proposal to define “projection” in paragraph 14 of AP 8.1
- Proposal to make consequential revisions to definitions of fiscal capacity and service capacity in paragraph 16 of AP 8.1
- Proposal to insert paragraph to say that a budget or forecast can only be used as a projection where it meets that definition in paragraph 17 of AP 8.1

## Issue: Structure of Draft RPG

- Insert new sections on:
  - Key principles of reporting long-term fiscal sustainability information (paragraphs 16A–16E of draft RPG)
  - Indicators (paragraphs 26B–26E of draft RPG)
  - Will look at content of these sections in page-by-page review
- Reverse order of sections on:
  - Reporting boundary
  - Determining whether to report long-term fiscal sustainability information

## Issue: Indicators of LTFS (1)

- Proposal to insert paragraph to say that indicators may be calculated using:
  - IPSAS requirements;
  - GFS reporting requirements; or
  - Other requirements such as specified in legislation
- Where indicators calculated on non-IPSAS based sources, should disclose this fact and, where possible, the estimated impact in paragraph 23 of AP 8.1

## Issue: Indicators of LTFS (2)

- Proposal to insert paragraph to say how an entity should choose indicators based on Preliminary View 4 of the Consultation Paper in paragraph 25 of AP 8.1
- Will look at other content in this section in page-by-page review



## Review of Draft RPG

- Page-by-page review of draft RPG in AP 8.2

## Voluntary guidance versus Authoritative Standard (the Alternative View)

- ED 46 proposed as voluntary guidance i.e., an RPG
- Alternative view considers authoritative standard is required to meet objectives of financial reporting
- Confirmation requested of decision to continue to develop the ED into voluntary guidance

## Assurance Issues

- Draft RPG will be reviewed by working group of the International Auditing and Assurance Board (IAASB)
- Any implications from review will be considered at March 2013 meeting