Comments on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities from FACPCE
(Federación Argentina de Consejos Profesionales de Ciencias Económicas)

1) Previous Considerations

The project includes in the General Purpose Financial Reports (GPFR) issues related to emerging definitions from other disciplines and in some cases loaded qualitative aspects on which no opinion is issued in this view.

In our view, the conceptual framework should only consider the adoption of a single base, and that would be the accrual basis of accounting, which means the transactions should be recognized at the time that it accrues.

Answers to preliminary views

Preliminary View 1 - The Authority of the IPSASB Framework (following paragraph 1.7)

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.

Our view:

Nevertheless, keep in mind that the process made by the IFAC has been the development of individual standards based on the IASB's CF, and subsequently the proper need to conduct a conceptual framework for the public sector itself and in order to not detract the role that the project of the Conceptual Framework assigns to it, the supremacy in relation to previous and future standards should be distinguish:

a. for future standards issued by the IPSASB, must fall within the provisions of this Framework;

b. for specific effective standards, in cases where there are differences, the specific standard will prevail to avoid regulatory chaos, but immediately after the difference has been noticed a review process should be initiated for their adequacy, as it was carried out in convergence with IFRS / IAS, adjusting them into the Conceptual Framework. This will tend to a regulatory convergence.

c. the Conceptual Framework to be approved for Public Sector entities will be only for those entities. Public Enterprises should apply IFRS, as IPSAS 1 establishes it, its purpose is business, therefore if they apply standards for the private sector they must comply with the Conceptual Framework of those standards issued by the IASB.

Preliminary View 2 - General Purpose Financial Reports (GPFRs) (following paragraph 1.15)

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

Our view:

The scope of financial reporting should be broad enough to allow the GPFR of any entity to report financial and non financial information from the past, present and future, including financial and other information about the future, the delivery services, the activities and objectives, and the resources necessary to support them.

Preliminary View 3 - The Users of GPFRs (following paragraph 2.7)

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

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

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

Our view:

It is estimated that in order to avoid doubts on the scope, that it's necessary to be more explicit in the description of users, including specifically the citizens. Each group must be accompanied by a description of the types of users that compose them and a very clear definition of each group but without falling into the enunciation.

Preliminary View 4- The Objectives of Financial Reporting (following paragraph 2.22)

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

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

Our view:

The objectives of financial reporting by public sector entities are, in addition to providing information about the entity, useful for users of such information for the following purposes:

a) **Accountability:** The allocation of resources in order to fulfil its social purpose. Citizens, through the legislatures, give to governments, and thus its officials, the authority to spend according to the established and approved public policies by which they "allocate resources" to achieve their goals. Under this figure, governments must be "accountable" to citizens by the administration of those resources, resources that are provided by them through taxes. Governments do not manage their funds, but funds from the public that gives them a mandate for efficient administration and demands to see through the **"Accountability"** if the resources were used economically, efficiently and effectively and in line with approved budgets and other authority that justifies the increase and use of those resources; therefore the first objective is **"Accountability"**.

b) **Decision-making:** users of financial information from government agencies both internal and external, need reliable and timely information for decision making.

Accounting purposes are essential for the effect they may have, if there are no clear accounting standards in which the financial information of government entities sustains, there is no reliable information and even less transparency in the accountability. In many countries such as ours -Argentina- that kind of information should be based on accounting standards because of the need for control by the government or private control entities, but the objective should be fulfil with accounting standards that ensure reliability and transparency of financial information and that allow control.

Preliminary View 5 - The Scope of Financial Reporting (following paragraph 3.18)

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.

Our view:

Continuing with the comments of the Preliminary View 2, it is important that the explanatory material includes indicators of compliance with the objectives of the government's work plan, the base of the financial and management budget..

In addition, a correlation between the goods produced or the services delivered and the financial transactions is included to the explanatory material.

This explanatory material will assist decision making and control.

Preliminary View 6 - Evolution of the Scope of Financial Reporting (following paragraph 3.22)

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

Our view:

We agree to this point. Is an explicit recognition of the changing reality which should be accompanied with the adequacy of the standard in its wording of limiting to declarative.

Preliminary View 7 - The Qualitative Characteristics of Information Included in GPFRs (following paragraph 4.40)

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

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

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

Our view:

One of the distinguishing characteristics of public sector entities is the requirement to publish the acts of government, and the financial statements is an information from the public governance on how many resources were obtained from the community and turned to it. The information should be published, be available to all users defined and easily accessible, so that will increase transparency in the accounts and allowing citizen control.

The cost can not be a limitation, because the obligations of the issuing public entity may not be restricted by cost. It will be necessary to consider the efficiency and effectiveness in the broadcast, but not its cost.

Inclusion: Availability and accessibility with the following:

The information should be published, available to all defined users and easily accessible, so that it will increase transparency in public accounts and allowing, among others, the citizen control.

In addition, in constraints it must be structured as follows:

Opportunity

The information must be supplied in time convenient for users, so as to influence the decision-making. An undue delay in reporting the information can make it lose its relevance. It is necessary to balance the derived benefits with timeliness reporting and with the reliability of accounting information.

Balance between costs and benefits

The administration of public funds, under the republican principle of publicity of the government's acts, requires information to be produced and published independently of the cost-benefit relation, but for this it must be taken into account "the best investment of funds from common".

Balance between relevance and reliability

To search for a balance between relevance and reliability the best way to meet the needs of all users of information should be considered.

Preliminary View 8 - Characteristics of a Reporting Entity (following paragraph 5.10)

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

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

Our view:

Should be left in place, in addition to what is mentioned in the preliminary view that a characteristic of the entities, regardless of the legal and / or administrative action taken, is aimed at meeting the public policy set by the government of a State. The entities from the business sectors of the State are excluded.

(Comment: this definition is general and would include, for example, trusts)

Preliminary View 9 – The Composition of a Group Reporting Entity (following paragraph 5.35)

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

• has the power to govern the strategic financing and operating policies of the other entities (a "power criterion"); and

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

Our view:

The two conditions in the preliminary view must be met to consider a group; in addition to the information of the group, it should include all the entities referred to in Question 8.

(Comment: this would include all trusts, universities and any other entity to be created. It is general)