



**The Institute of  
Chartered Accountants  
of Pakistan**

**HEAD OFFICE**

International Public Sector Accounting Standards' Board  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor,  
New York  
USA

April 29, 2010

Subject: **COMMENTS ON CONSULTATION PAPER TITLED 'LONG TERM SUSTAINABILITY OF PUBLIC FINANCES'**

Sir,

The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above mentioned consultation paper.

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,

Shahid Hussain  
Director Technical Services  
The Institute of Chartered Accountants of Pakistan  
shahid.hussain@icap.org.pk

**(Established under the Chartered Accountants Ordinance, 1961-X of 1961)**

---

Chartered Accountants Avenue, Clifton, Karachi-75600 (Pakistan) Ph: (92-21) 111 000 422 Fax: 9251626

Website: <http://www.icap.org.pk> E-mail: [info@icap.org.pk](mailto:info@icap.org.pk)

## **COMMENTS ON CONSULTATION PAPER TITLED 'LONG TERM SUSTAINABILITY OF PUBLIC FINANCES'**

### **PRELIMINARY VIEWS (PVs)**

#### **PV 1:**

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

#### **Comment on PV1:**

The paper referred to above<sup>1</sup> sets out the objectives of financial reporting by public sector entities as to provide information about the reporting entity useful to users of GPFs for:

- Accountability purposes; and
- Making resource allocation, political and social decisions.

Given that it is imprudent to make decisions about specific programs/projects/ transactions without looking at the impact on long term finances, this specific view is strongly supported. In Pakistan's context this is all the more critical given our fragile fiscal position.

#### **PV 2:**

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

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

#### **Comment on PV 2:**

In Pakistan's context specifically the ability for decision makers to focus on detail is very limited, on top of which relatively important items which can be impacted by political decision-making may be mixed with other items where the ability to make a difference is limited. It is therefore suggested that the consultation paper be modified to include summarized projections in narrative reporting as mandatory, possibly supported by additional statements providing details of projections. The summarized projections should set out as separate items any major areas which can be impacted by government decision making.

#### **PV 3:**

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

---

<sup>1</sup> Downloaded from IFAC's website

**Comment on PV 3:**

We agree. In Pakistan's context there should be separate reporting by each of the Federal and Provincial Governments, as well as by local governments and agencies (like Water and Sanitation Agencies).

**PV 4:**

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

**Comment on PV 4:**

Agreed.

**PV 5:**

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

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

**Comment on PV 5:**

We agree. However it is also recommended that the primary fiscal projections should only be made based on the existing policy. The result of policy changes should be reflected in a separate version, and only if the revised policy has been formulated and been through the initial level of government approval.

**PV 6:**

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

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

**Comment on PV 6:**

We agree. The IPSAS should, however, apart from the requirement to disclose, contain some guidance on how the parameters are selected.

**PV 7:**

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

**Comment on PV 7:**

We do not agree. Five years is too long. Three years is acceptable as in many developing countries projections prepared five years ago would almost certainly not be relevant.

---