

August 31, 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

**RE: Exposure Draft - Key Characteristics of the Public Sector with
Potential Implications for Financial Reporting**

Dear Madam,

Please find enclosed our comments on the above-referenced exposure draft.

Item for comment 1:

- Do you agree that this document provides useful background information on the key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting? If not, please indicate how you would modify the document.

We agree and, in our view, it is essential that these items be addressed in IPSASB literature.

Item for comment 2:

- Do you agree that this document should be included as part of the IPSASB's literature? If you agree, where do you think the material in this document should be located:
 - As part of the Conceptual Framework,
 - As a separate section of the *Handbook of International Public Sector Accounting Pronouncements*, or
 - Elsewhere with some other status - please specify?

We agree. In our view, the content of this document should be placed with the conceptual framework given the close interrelationship between the items.

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Other comments

- The content of the exposure draft should be more factual, i.e. it should avoid setting out the potential impacts of the public sector's characteristics on the conceptual framework and focus on the characteristics themselves. These impacts should be examined in the other phases of development of the IPSASB conceptual framework.
- **Paragraph 1.3:** the expression "public sector" should be defined more precisely. The proposed content of the paragraph identifies entities that are part of the public sector, but it gives no guidance on the criteria to be used to conclude that a given entity is included in the public sector. In Canada, for example, the guidelines to be used are clear and refer to entities that are either included or not in the government reporting entity.
- **Paragraph 2.3:** The needs of users of public sector financial reports should be exhaustively described. Among the examples cited, we note that the need "Has the entity provided its services in an efficient and effective manner?" is too broad in coverage and exceeds the scope of accounting.
- **Paragraph 6.6:** Prospective financial information frequently involves assumptions based on disciplines outside accounting and subject to interpretation. Accordingly, prospective financial information should not be included in the scope of financial reports.
- Transparency in the presentation of decisions, events, activities, policies and results arises from the obligation of public sector accountability. In our view, this characteristic of the public sector should be added to the document's content.

We hope that these comments will be helpful as you continue your work.

Yours truly,

André Miville, CA
Director General,
Professional Practice