

Finance

Comptroller's Division

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Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario
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Dear Sir/Madam:

Re: Exposure Draft – Key Characteristics of the Public Sector with Potential Implications for Financial Reporting

Thank you for the opportunity to comment on the Exposure Draft (ED) – Key Characteristics of the Public Sector with Potential Implications for Financial Reporting. The Exposure draft highlights characteristics that may have implications for the development of a conceptual framework.

IPSASB has requested comments on the following specific matters:

1. Does the ED provide useful background information on the key characteristics of the public sector and identify potential implications of those key characteristics for financial reporting?
2. Should the ED be included as part of IPSASB's literature? If so, should the ED be located:
 - (a) As part of the Conceptual Framework;
 - (b) As a separate section of the *Handbook of International Public Sector Accounting Pronouncements*; or
 - (c) Elsewhere with some other status.

Key Characteristics of the Public Sector:

It is the view of the Province of Manitoba that the selection of the key characteristics should not only define the operating environment of public sector entities, but should also have significant accounting and financial reporting implications. A characteristic would have significant accounting and financial reporting implications if it affected the usefulness of the information to the users. Understanding what is useful to users will help standard setters develop a conceptual framework. The key characteristics should be common to the operating environment for all levels of government. Further the key characteristics should not only define the operating environment of governments but should also be applicable to other non-government entities in the public sector.

Financial statements should communicate the accountability of governments and other public sector entities to users. The Province of Manitoba views the budget as the single most significant characteristic of all governments and public sector entities. The budget is the key instrument for public accountability. Budgets are widely distributed and allow users to judge how well a public sector entity has met its financial objectives. Accountability in the public sector goes beyond simply reporting surpluses and deficits and net debt position. Financial statements should also communicate whether resources were administered by the public sector entity within its authorized limits.

The Province of Manitoba also views the nature of property, plant and equipment (PPE) and the significance and volume of non-exchange transactions as key characteristics of the public sector. PPE in the public sector is generally held to provide services to the public rather than generating cash flows. The transactions of public sector entities are primarily of a non-exchange nature. Taxes, fines, penalties, licenses and royalties are more involuntary in nature in comparison to exchange transactions in the private sector. The parties involuntarily providing the resources do not necessarily receive goods and services of approximate value.

While the ED lists a number of other key characteristics of the public sector, many of these do not have significant accounting and financial reporting implications or are not generally applicable to non-government public sector entities:

- Responsibility for national and local heritage;
- Longevity of the public sector;
- Regulatory role of government
- Ownership or control of rights to natural resources
- Statistical basis of accounting

Relevance of the Exposure Draft:

The key characteristics define the operating environment of public sector entities. Understanding the public sector environment, and how it is different from the private sector, is important for developing accounting and financial reporting standards that are useful to users. Therefore it is the view of the Province of Manitoba that the document on the characteristics of the public sector should be included as part of IPSASB's Conceptual Framework.

We would like to again thank you for the opportunity to comment on this issue.

Yours truly,

"Original signed by"

Betty-Anne Pratt, CA
Provincial Comptroller
Province of Manitoba