

Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)

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Chavannes-Lausanne, March 18, 2010

**Swiss Comments to
Consultation Paper: „Reporting on the Long-Term Sustainability of
Public Finances“**

Dear Stephenie,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to the Consultation Paper „Reporting on the Long-Term Sustainability of Public Finances“.

We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Consultation Paper in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Sonja Ziehli, Secretary

Swiss Comments to the Consultation Paper

Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)

Swiss Comments to

Consultation Paper: „Reporting on the Long-Term Sustainability of Public Finances“

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) has discussed the Consultation Paper „Reporting on the Long-Term Sustainability of Public Finances“ and comments as follows. The SRS-CSPSP was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level (states). One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

2. Comments to the Consultation Paper “Reporting on the Long-Term Sustainability of Public Finances”

Fundamental Comments

- Recommendations on long-term sustainability reporting are welcomed in principle. However, this kind of reporting has nothing to do with accounting in the narrower sense and should not be governed in a mandatory Accounting Standard.
- The timing does not seem to be ideally chosen, because standard definitions are lacking, as long as the “Conceptual Framework” has not been completed.
- The question of whether such long-term sustainability reporting would also have to satisfy other demands – e.g. on the part of the International Monetary Fund or the World Bank – should be clarified.

The SRS-CSPCP welcomes in principle recommendations by the IPSAS Board for long-term sustainability reporting. As this kind of reporting has nothing to do with accounting in the narrower sense, it should not be governed in a mandatory Accounting Standard. In addition the timing of the Consultation Paper is not practical: as long as the “Conceptual Framework” has not been concluded, standard definitions are lacking, which seriously impede an assessment of the Consultation Paper. The SRS-CSPCP believes that it is important to clarify whether there are other demands on long-term sustainability reporting, e.g. on the part of the International Monetary Fund or the World Bank.

Detailed Comments

Preliminary View 1

- Recommendations on long-term sustainability reporting are welcomed in principle. However, this kind of reporting has nothing to do with accounting in the narrower sense and should not be governed in a mandatory Accounting Standard.
- It is absolutely essential to distinguish this kind of reporting (i.e. long-term sustainability reporting) from the Financial Statements /GPFS.

The SRS-CSPCP welcomes in principle recommendations by the IPSAS Board for long-term sustainability reporting. As this kind of reporting has nothing to do with accounting in the narrower sense, it should not be governed in a mandatory Accounting Standard. The SRS-CSPCP is of the opinion that long-term sustainability reporting should be clearly distinguished from the Financial Statements /GPFS. Long-term sustainability reporting may have political undertones and, in contrast to the budget and the annual accounts, does not have to be approved by the competent authority (i.e. legislature).

Preliminary View 2

- All three models would be conceivable. Therefore the third model (Cross references in GPFRs to other reports addressing long-term fiscal stability) should also be listed.
- However, a definitive comment is not possible, because the overall concept is not clear or is missing.

In principle for the SRS-CSPCP all three models would be conceivable. As long-term sustainability reports are not prepared annually, the third model (Cross references in GPFRs to other reports addressing long-term fiscal stability) should also be listed, which would also enable cross-referencing. This, subject to the cross-referencing being summarized and commented on, even if this is not quite so easy. Otherwise the effort for the addressee of the report is considered too great. But as the overall concept is not clear, a definitive comment is not possible. Information about the most important results of the long-term sustainability reporting would be quite conceivable and desirable in the financial commentary to the financial statements. Associated with this a political appraisal would also be desirable. But this information would not be audited.

Preliminary View 3

- Again it is absolutely essential to distinguish long-term sustainability reporting from the Financial Statements /GPFS.
- Reporting boundaries based on Government finance statistics and therefore possibly in deviation from those of the reporting entity seem to make more sense (Example Switzerland: Confederation, Cantons, Municipalities, Social Insurance Institutions), also for international comparison purposes.

The SRS-CSPCP is of the opinion that long-term sustainability reporting must be clearly distinguished from Financial Reporting/GPFS. The SRS-CSPCP believes it makes more sense to define the reporting boundaries for long-term sustainability reporting on the basis of those of the Government finance statistics and therefore in deviation from the reporting entity. As an example the Report on the Long-term Sustainability of Public Finances in Switzerland dated April 2008 covers, in addition to the Confederation, the cantons, municipalities and social insurance institutions. A report covering only the Confederation would not be very meaningful, because it would reflect only part of the public finances in Switzerland. For international comparison purposes, a state-wide view would be a worthwhile aim. A sub-national long-term sustainability report, where relevant, could be complementary.

Preliminary View 4

- Indicators and concepts should be applied on the basis of Government finance statistics, because they are already internationally defined.

For the SRS-CSPCP it would make more sense if the indicators and concepts are based on Government finance statistics. Such are already in use internationally and references could be made to them.

Preliminary View 5

- It is absolutely essential to distinguish it from the Financial Statements /GPFS.
- Long-term sustainability reporting is based on statistical and not accounting techniques.
- Therefore the possibility should be given to check the quality of the estimates from a scientific perspective.
- All information that is necessary to replicate the results -replicability principle- would have to be published in the long-term sustainability reporting. In this way a non-exhaustive list of issues can be waived.

The SRS-CSPCP is of the opinion that long-term sustainability reporting is to be clearly distinguished from Financial Statement/GPFS. Long-term sustainability reporting is based on statistical and not accounting techniques. Therefore the possibility should be given to check the quality of the estimates from a scientific perspective. By contrast the "truth and fairness" of Financial Statement are attested by the auditing techniques. Controlling the quality of a long-term sustainability report becomes possible only if all information is published that make it possible to replicate the results (replicability principle). For this reason, in the SRS-CSPCP's view, the focus should be placed on the replicability principle of the analyses and a non-exhaustive list of issues should be waived.

Preliminary View 6

- No comments.

The SRS-CSPCP has no special comments on this item.

Preliminary View 7

- No comments.

The SRS-CSPCP has no special comments on this item.

Chavannes-Lausanne, March 18, 2010