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Dear Sir

### Conceptual Framework Exposure Draft 1

I am writing to support the proposals contained in the exposure draft. The comments here reflect personal views and observations and should not necessarily be taken to represent those of the University of Sheffield or any of the professional, academic or public sector organisations with whom I work.

I responded to the Consultation Paper (CP) issued in September 2008 and I am pleased to see that the broad principles in the CP have been retained in the exposure draft.

I comment below on the specific matters on page 6 of the exposure draft.

#### 1. Role, Authority and Scope

I support the proposal (par. 1.5 to 1.7) that the scope of public sector GPFs should be drawn widely.

#### 2. Objectives and primary users

I support the proposal (par. 2.1) that the objectives of financial reporting for public sector entities should encompass both purposes of accountability and decision-making. In particular, it is important that IPSASB moves away from the much narrower objectives of economic decision-making by capital market participants expressed in the IASB conceptual framework. What is needed for public sector entities is a wider and holistic view of reporting, linking financial and non-financial results beneficial to a wide group of stakeholders.

I support a view that Service Recipients (& representatives) and Resource Providers (& representatives) are primary users of public sector GPFs. I think that these two groups of primary users are sufficient to encompass many different types of users, including members of legislative bodies. I referred in my comments on the CP to providers or commissioners of services being users but, again, I think they do so as primarily as representatives of service recipients or resource providers.

3. I support the list of Qualitative Characteristics described in the exposure draft. I drew attention in my comments on the CP of the importance of 'substance over form' and think that is dealt with satisfactorily in paragraph 3.10 as an element of 'faithful representation'. I am disappointed that the Board felt it necessary to relegate the concept of prudence from the exposure draft, but appreciate that it would be difficult to take a different view from that in the IASB framework.

I support the view that Timeliness is a qualitative characteristic. A long delay in the publication of public sector financial reports after the entity's financial year end reduces significantly the value of such reports both for accountability and decision-making purposes.

In respect of 3(a) I think there is nothing to gain by replacing 'faithful representation' with reliability, given the use of that term in private sector conceptual frameworks of the IASB and national standard setters. I continue to hold concerns that 'faithful representation' may be used to support a 'fair value' approach to measurement which I believe to be inappropriate generally to public sector financial reporting.

In respect of 3(b) I see materiality as a general constraint on inclusion of information in financial statements. However, the concept is applied in practice in an entity-specific manner. I therefore support the treatment in the exposure draft, but suspect that whatever treatment is adopted here will have little effect on its application in practice.

4. I support the view that a Group Reporting Entity should be determined on what I see as representing broadly a control perspective giving rise to financial benefits and burdens. This is something on which, I am sure, the Board will have to return to seek to provide more helpful and specific guidance, if consistency to support comparability between financial reports of public sector entities is to be achieved. For example, as discussed in my comments on the CP, it is still not readily apparent how public sector interests arising from bank bail-outs and public private partnerships would be accounted for based on paragraphs 4.7 to 4.13.

Please contact me if you require any further information.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ron Hodges', with a stylized, cursive script.

Ron Hodges  
Professor of Public Services Accounting