

Montreal, June 15, 2011

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Madam/Sir:

Please find enclosed the comments of the Exposure Draft Review Committee of the Ordre des comptables agréés du Québec on the “Conceptual Framework Exposure Draft (CF–ED1), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*”

Please note that neither the Ordre des comptables agréés du Québec nor any of the persons involved in preparing the comments, shall have any liability in relation to their use and no guarantee whatsoever shall be provided regarding these comments, as specified in the following disclaimer.

Yours truly,

Annie Smargiassi, CA
Secretary to the Exposure Draft Review Committee

Encl.: Disclaimer and comments

DISCLAIMER

Subject to the conditions described herein, the documents prepared by the Exposure Draft Review Committee of the Ordre des comptables agréés du Québec (the Ordre), hereinafter referred to as the "comments," provide the opinion of members on statements of principles, documents for comment, associates' drafts and final exposure drafts published by the CICA, Accounting Standards Board, Auditing and Assurance Standards Board, Public Sector Accounting Board, Risk Management and Governance Board and by other organizations.

The comments submitted by the Committee should not be relied upon as a substitute for engagements entrusted to professionals with specialized knowledge in their field. It is important to note that the legislation, standards and rules on which the comments are based may change at any time and that, in some cases, the comments may be controversial.

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COMMENTS OF THE EXPOSURE DRAFT REVIEW COMMITTEE OF THE ORDRE DES COMPTABLES AGRÉÉS DU QUÉBEC ON THE “CONCEPTUAL FRAMEWORK EXPOSURE DRAFT (CF–ED1), CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES”

TERMS OF REFERENCE OF THE COMMITTEE

The terms of reference of the Exposure Draft Review Committee of the Ordre des comptables agréés du Québec are to collect and channel the views of practitioners in public practice and members in business, industry, government and education, as well as those of other persons working in related areas of expertise.

For each exposure draft or other document reviewed, the Committee members share the results of their analysis. The comments below reflect the views expressed, and unless otherwise specified, all of the Committee members agree on these comments.

The Ordre has not acted upon and is not responsible for the comments expressed by the Committee.

GENERAL COMMENTS

The Committee generally agrees with the conceptual framework as a whole because most of the concepts are consistent with the actual framework they use in Canada, though they have some concerns about certain aspects of it

The Committee members represent many types of financial statements users and as such, have responded to many questions in all the different categories.

GENERAL COMMENTS

1. Role, authority and scope of the Conceptual Framework

Members that are preparers and auditors of financial information of public sectors entities believe that the scope of the conceptual framework shouldn't be extended to information other than the financial statements (F/S).

Information other than F/S, which includes financial and non-financial information about the achievement of financial and service delivery objectives, cannot always meet the same criteria and goals of the F/S. Actually, this information should have different requirements than those established for the information contained in the financial statements.

In that context, the members indicated that there may be a need to a conceptual framework for information other than F/S, and if so, the conceptual framework for the F/S and the one for the information other than F/S should be in separate documents.

Furthermore, the users of the financial statements and the users of information other than F/S are not always the same, thus the objectives and goals of the information disclosed shouldn't be the same neither. The information other than F/S is by nature more subjective and less verifiable and, moreover, it would be almost impossible to assess its completeness.

Members that represent taxpayers and other members of the community that benefit from the services provided by the public sector entities, believe that the conceptual framework should be the same for financial statements and for other information provided by public sector entities.

2. Objectives of financial reporting by public sector entities and the primary users of GPFRRs of public sector entities and their information needs

As indicated previously by the members that are preparers and auditors of financial information of public sectors entities, goals and objectives of the F/S and information other than the F/S as well as those of their users are different. They agree that the primary user of financial statements is the public (citizens, electors or their representatives) as the public sector entities are primarily accountable to the citizens or the representatives acting on behalf of citizens. This is not the case of financial information other than F/S. In fact, the primary user of the information other than F/S can sometimes be the public but not always. It depends on the type of information produced.

They believe that it is unlikely that a general framework can respond to the information needs of all users because those needs are not the same for all of them. Therefore, they think that identifying users of F/S and users of information other than F/S with related separate framework could ease identifying main users, goals and objectives of the information provided.

They agree with the objective of financial reporting, worded as "to provide information about the entity that is useful to users of GPFRRs for accountability purposes and for decision-making purposes". They note that it is the same objective as defined by IFRS, and they believe it is as proper in the context of public sector entities.

3. Qualitative characteristics of, and constraints on, information included in GPFRRs of public sector entities. In particular, whether:

(a) “Faithful representation” rather than “reliability” should be used in the Conceptual Framework to describe the qualitative characteristic that is satisfied when the depiction of an economic or other phenomenon is complete, neutral, and free from material error

Members notice that the qualitative characteristics are the same as those used in the IFRS, with the exception that the IFRS identifies relevance and faithful representation as fundamental qualitative characteristics and the others as enhancing qualitative characteristics.

Members that are preparers and auditors of financial information of public sectors entities, who are in the view that the scope of the conceptual framework must be limited to financial statements, believe that the characteristics of information in the F/S should be at the same level, whatever is the financial reporting framework.

They believe that there is no circumstance where the relevance and faithful representation should be diminished as to fulfill another characteristic. The enhancing characteristics (understandability, timeliness, comparability, verifiability) are the only ones which should be balanced when necessary, to achieve relevance and faithful representation, which allows the achievement of the objectives.

Members that represent taxpayers and other members of the community, who are in the view that the scope of the conceptual framework should apply to both F/S and information other than F/S believe that the classification is adequate.

All members agree with the use of the expression “faithful representation” instead of the term “reliability”, as it is the term used by IFRS and as it is consistent with the terminology used in Canada in the conceptual framework for public sectors entities.

(b) Materiality should be classified as a constraint on information that is included in GPFRs or as an entity-specific component of relevance

Members believe that identifying materiality as a constraint, negates the achievement of the objective of GPFRs. In fact, doing so can promote the view that only the material information needs to be disclosed correctly, which they believe is inappropriate. In their view, materiality belongs more to the definition of relevance than being a constraint. They noticed that materiality has been included in the definition of reliability in the IFRS and that it should be the same in the GPFRs.

4. The basis on which a public sector reporting entity is identified and the circumstances in which an entity should be included in a group reporting entity

Members believe that the concept of reporting entity shouldn't be included in the conceptual framework as this concept relies to consolidation criteria. They consider that the circumstances of inclusion of an entity in the reporting group should be well established elsewhere than in a framework i.e. in an accountant standard.

5. Other matters

Members noticed that Government Business Enterprises (GBE) are excluded of the scope of the GPFRs and are also excluded for now, from the scope of the concepts of the reporting entity of IFRS. Guidance will need to be given to these entities.