



Accounting Standards Board

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Stephenie Fox
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2 March 2012

Dear Stephenie

IPSASB Exposure Draft 46 *Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances*

1. I am writing to set out the views of staff of the ASB in response to the above Exposure Draft (ED). The comments expressed in this letter have not been discussed by the ASB.
2. We welcome the decision by the IPSASB to publish Recommended Practice Guidance on Long-Term Sustainability of a Public Sector Entity's Finances. We consider that this is an area that may be of great interest to users of government accounts, and in the absence of identifiable users we consider that it is important for all entities to evaluate their long-term sustainability as a matter of good governance.
3. Our responses to the Specific Matters for Comment and some further comments are set out in the attached Appendix. We should be pleased to enlarge on these if that would be helpful, in which case please contact me or Joanna Spencer (j.spencer@frc-asb.org.uk).

Yours sincerely

Andrew Lennard
Director of Research

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Comments on Specific Matters for Comment

SMC 1

Do you agree that the characteristics of an entity that indicate whether users exist for information on long-term fiscal sustainability are those set out in paragraph 15? If you consider that there are more appropriate indicators please provide them.

1. Although we agree with the characteristics provided in paragraph 15 as being indicators that users of accounts will exist, we do not consider that the identification of said users are a prerequisite for determining whether or not to provide information of an entity's expected long-term fiscal sustainability. We are of the opinion that all entities should evaluate their long-term sustainability as a matter of good governance.
2. That said we suggest that the dominant characteristic will depend on the level of government that is reporting on long-term fiscal sustainability (i.e. at a whole of government level or agency level). For example, for whole of government the ability to raise taxes or other revenues may be the most significant characteristic in contrast to a government agency whereby the most significant characteristic is likely to its ability to provide services.
3. Although agency level reporting is basically scoped out in paragraph BC13 we consider that for some agencies, e.g. social security, health, education, the reporting of long-term fiscal sustainability would be of great interest to users and it is these cases that reporting on service delivery levels is of the greatest importance.

SMC 2

Do you agree that the "dimensions" of long-term fiscal sustainability in paragraphs 27-37 provide a viable framework for narrative reporting on the long-term sustainability of an entity's finances that complements and interprets the projections? If not, how would you modify this approach?

4. We agree that with the dimensions provided in paragraphs 27-37 and that they will provide a viable framework for reporting on the long-term sustainability of an entity's finances. However, we consider that the projections should be made on current (as stated in the ED) and future known policies. With the emphasis being solely on current policies it may exclude entities from including policies which are known to be changing but have not yet changed.

SMC 3

Do you agree with the guidelines in this ED on disclosure of principles and methodologies including risks and uncertainties? If not, how would you modify these guidelines?

5. We agree with the guidelines for disclosure of principles and methodologies however again we suggest that the projections should be made on current and future known policies.
6. We also suggest that it might be useful to define forecast and projections as some users may use them interchangeably.

Other matters for comment

7. We notice that the ED does not mention that the purpose of the [draft] Recommended Practice Guidance is to provide supplementary information that meets the objectives of financial reporting, being accountability and decision-making (as stated in the accompanying "At a Glance" document). We consider that this is a key element and should be included in the Objective paragraph (paragraph 1).
8. We note that the proposed scope excludes GBEs, however, we are of the opinion that because the [draft] RPG is not mandatory there is no specific reason for any entity to be excluded, also considering that there is no for-profit equivalent that we know of. Further because other entities sustainability may be influenced by a GBE's inflow and outflows we consider that it would be useful information for GBEs to also report on their long-term fiscal sustainability.
9. In the definitions, inflows and outflows are defined in terms of cash and cash equivalents. We consider that other resources which may be expected from other sources should be included as these can be relevant to an assessment of its fiscal sustainability.
10. We consider that the language in paragraph BC13 is too strong in that it all but excludes reporting of long-term fiscal sustainability at an agency level because of their inability to raise taxes and debt. As mentioned in paragraph 2 above the long-term fiscal sustainability of some agencies may be of interest to some users.

Editorial corrections

11. We have noted some minor editorial errors and include them here for your convenience:
 - a. In paragraph 30 the word 'between' appears to be missing after 'distinguish' (first sentence); and
 - b. In paragraph 50 there is a double 'that' (first sentence).