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Dear Stephenie Fox

I would like to offer a brief, but I believe important, comment on IPSASB's Conceptual Framework (CF hereafter) for General Purpose Financial Reporting by Public Sector Entities. The focus for my comments is on the proposals on scope, objectives and primary users contained in the Exposure Draft (ED).

Let me introduce myself. I have, until very recently, been a member of the UK's Accounting Standards Board's Committee for Accounting for Public-Benefit Entities (CAPE). The ASB will be making a submission on the Exposure Draft based on the discussions at CAPE. I have had an input into these discussions. However, whilst there has been some recognition of my views in this submission I was encouraged by John Stanford to offer a personal comment. John Stanford, Ian Carruthers and Mike Hathorn are also members of CAPE and know of my views, and may be willing to explicate them further if the following is not as clear as it should be.

As indicated above my substantive concerns relate to scope, objectives and primary users which I believe are inextricably intertwined. The starting point is that the CF of IPSASB is related to General Purpose Financial Reports (GPFRs) within which are General Purpose Financial Statements (GPFSSs). This is clearly related to the scope question. By default this says that specific reports for specific users for specific decision making purposes are outside the scope of interest. Part of the scope, therefore, is to define what should be included in these GPFRs and GPFSSs and this can only be clarified by knowing the objectives of the information content to be included in these reports and statements. The objectives, as currently proposed, are two – accountability and decision usefulness – yet it is impossible to fully satisfy *both* objectives through GPFRs and GPFSSs. Accountability can be satisfied through GPFRs and GPFSSs, if a suitable understanding of accountability can be derived and operationalised. This will be *relevant* for decision making purposes but not directly *useful* for specific users' actual decisions. As an aside this does not mean, and I don't think the ED implies this but it is worth saying nevertheless, that accountability equals past information and decision usefulness equals future information. That is a gross simplification. What it does mean is that the concentration is on finding out what information is required to make an public sector organisation accountable. This information will always be necessary for

decision making but not necessary *and sufficient* for these purposes. In that sense there is actually no need for having a primary user in mind. It is *all* users who are interested in accountability information. The result of this is that if the CF is to be 'restricted' to GPFs then it is only possible to have one, rather than two objective(s) for financial reporting vis accountability that is *relevant* for decision purposes but not *useful* as in the sense of satisfying the information needs and wants of every user. As a result the decision useful objective, as a separate objective, should be dropped. The primary and only objective should be accountability that is *relevant* for decision users. This will also have the considerable advantage of reducing the possibilities of lobbying from specific users to define what they need/want to be in the contents of GPFs and GPFs. Concentration is then given only to involving these users in helping to define what constitutes accountability.

I believe accepting that there is one (accountability) rather than two (accountability *and* decision usefulness) objective(s) has wide-ranging implications for the rest of the proposed CF. The concentration on GPFs would involve a justification of these in terms of their ability to satisfy some aspects of the accountability objective. It would also encourage an urgency to move rather faster towards GPFs to satisfy the other accountability elements.

The alternative of continuing with two objectives rather than one would need a much wider and more complex CF as I highlight in a paper I published in 2008 in *Public Money and Management* (Laughlin, R. 'A Conceptual Framework for Accounting for Public-Benefit Entities', *Public Money and Management*, Vol. 28, No. 4 (2008) pp.247-254). If you would like a PDF copy of this paper please do not hesitate to contact me.

Equally if you would like any further explication of the above points please again do not hesitate to contact me.

I hope this comment is given due consideration when you come to revise the Exposure Draft.

Yours sincerely

Richard Laughlin  
Emeritus Professor of Accounting