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Ref.: PSC/PRJ/TSI/SRO

Dear Ms Fox,

**IPSASB Exposure Draft CF-ED1  
Conceptual Framework for General Purpose Financial Reporting by Public  
Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative  
Characteristics; and Reporting Entity**

1. FEE (Fédération des Experts-comptables Européens - Federation of European Accountants) is pleased to submit its views on this Exposure Draft.

**General comment**

2. We strongly support IPSASB's programme which helpfully combines IFRS converged IPSASs on matters which are common to both private and public sectors, public sector specific IPSASs on matters which are unique to the sector, and conceptual work which will inform the development of standards in future, seeking to achieve the optimum balance between maintaining comparability and addressing sector specific issues.
3. FEE provided comments in IPSASB's 2008 Consultation Paper which formed the basis of this Exposure Draft. As noted in that response, FEE welcomes the work which the IPSASB is carrying out on developing a conceptual framework, particularly in the light of developments in IFRS which may make it more difficult to apply those standards, or indeed the IASB conceptual framework, directly to the circumstances of public sector entities.

### Specific Matters for Comment

4. FEE's views are set out below on each of the Specific Matters on which IPSASB would particularly value comments.

1. <i>Role, authority and scope of the Conceptual Framework</i>
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5. In line with our overall comments and our comments on Preliminary View 1 and Preliminary View 5 of the 2008 Consultation Paper, FEE agrees with
- The role and authority of the Conceptual Framework as set out in the Exposure Draft
  - The scope of financial reporting as set out in the Exposure Draft.
6. We agree that it is appropriate that the widening of the scope is accompanied by an acknowledgement that IPSASB may address wider reporting needs through non-authoritative guidance.

2. <i>Objectives of financial reporting by public sector entities and the primary users of GFRs of public sector entities and their information needs;</i>
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7. In line with our comments on Preliminary View 4 of the 2008 Consultation Paper, FEE agrees with the objectives as set out in the Exposure Draft.
8. However, FEE still has reservations about the designation of primary users and the specific treatment of the legislature as a primary user. In our view, inadequate recognition is given to the institutional context in which governments operate, and the responsibilities which they exercise on behalf of citizens, without particular regard to whether those citizens are electors, service recipients or resource providers.
9. In line with our comments on Preliminary View 3 of the 2008 Consultation Paper we would note that the legislature is both a primary user and one of the most engaged users of GFRs. We agree with the IPSASB view that governments should only be considered as primary users of GFRs while acting as representatives of other primary users, but consider that it is inadequate to characterise them only as representatives of service recipients and/or resource providers without further explanation. In a democratic society, the principal line of accountability is from public sector entities to representative bodies, and from representative bodies to citizens.
10. We note that the Basis for Conclusions discusses the position of Citizens (BC2.6) and the Legislature (BC2.8-9) as Primary Users, concluding that these fit within the proposals in the Exposure Draft by virtue of equating Citizens with Service Recipients and/or Resource Providers. While we understand the overlaps between the various user categories, we are concerned that, for example, conceiving of citizens while only reflecting on them being service recipients may not fully capture all relevant aspects of accountability.

11. Having said this, we find it quite difficult to conceive of user information needs for citizens, within the context of GFPRs, where there is a significant difference to the needs of service recipients or resource providers. The Exposure Draft may therefore get to the right result. We would however suggest that it would be better to achieve this with a more complete explanation, explicitly noting the IPSASB view that a recipient/provider perspective is expected to be close enough in most circumstances.

3. *Qualitative characteristics of, and constraints on, information included in GFPRs 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; and*
- (b) *Materiality should be classified as a constraint on information that is included in GFPRs or as an entity-specific component of relevance;*

12. In line with our comments on Preliminary View 7 of the 2008 Consultation Paper, FEE agrees with the proposed qualitative characteristics and constraints on financial reporting. We therefore support the use of ‘faithful representation’ rather than ‘reliability’ and the classification of materiality as a constraint. We note that the Exposure Draft does not include the distinction between ‘fundamental’ and ‘enhancing’ characteristics which is made in the IASB Conceptual Framework.

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.*

13. The Exposure Draft has restructured the material in the Consultation Paper, taking the view that certain matters should be dealt with at standards level. In line with our supportive comments on Preliminary View 8, and our additional comments on Preliminary View 9 of the 2008 Consultation Paper, we are content with the proposals in the Exposure Draft.

14. We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,



Philip Johnson  
President