

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
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Our Ref: TECH-CDR-836

31 March 2009

Dear Sir

Conceptual framework for general purpose financial reporting by public sector entities

ACCA (Association of Chartered Certified Accountants) is pleased to have this opportunity to comment on the above consultation paper which was considered by ACCA's Public Sector Technical Committee and I am writing to give you their views.

General comments

We very much support IPSASB's work in developing a separate conceptual framework (CF) to underpin the standards it develops.

The IPSASB framework is right to utilise relevant parts of the IASB framework as that develops in parallel, but IPSASB is right to make this a standalone public sector document and not simply to elaborate areas of difference with the IASB framework for commercial enterprises.

The framework will be helpful in our view as a means of

- setting any specific public sector standards on a consistent basis
- rationalising the differences between IPSAS and IFRS and ensuring that these differences emerge on a coherent basis.

- highlighting the gaps in the current standards particularly on compliance issues (e.g. budget comparisons) and non-financial reporting (e.g. on service deliveries or outcomes)

We noted that in many places through the document the language is of positive requirements while in other places matters are stated less definitely and more conditionally. For example in paragraph 3.2 “GPFRs report on” compared to paragraph 3.4 which says “information that may be included ...”. We were unclear as to the significance to attach to these differences.

Preliminary View (PV) 1 – authority of the IPSASB framework

We support the framework being used primarily to develop IPSAS, but not overriding them. It is not a requirement for general purpose financial reporting (GPFR) to follow the CF, but it is helpful on occasions that the framework is there to guide when there is an item not covered by a standard.

PV2 – GPFR

We agree with the definition of GPFR and also with the rather specific formulation in paragraph 1.15 of what they comprise or do not include.

PV3 – Users of GPFR

We broadly agree with the users that have been identified in paragraph 2.6, though others should be referred to – the executive branch of government itself and the employees of public sector bodies. We are not sure that the three group categorisation of users is very helpful. It seems arguable that there are really only two and that the “other parties” are groups that represent the interests of either the recipients of services or providers of resources.

PV4 - objectives of financial reporting

We very much support the greater prominence given by this draft CF for accountability (stewardship) as well as economic decision-making. We believe that, despite the different context, IASB should give accountability a similar prominence in their framework.

The explanation of the objectives should be coherent. For example Paragraph 2.14 mentions lenders and creditors for the first time, but their decisions and resulting information needs are not then referred to anywhere else.

PV5 – scope of financial reporting

We strongly support the emphasis given here on these wider reporting requirements. The first two bullet points are covered by traditional financial statements and the 3rd could be integrated with them. The 4th and 5th are rather different and therefore may need thought on how the framework will cover these aspects. We also note that information of this sort is not always provided in the standard general purpose financial report but sometimes made equally available by other means.

On the issue of GPFR covering future events as well as reporting past ones IPSASB should be aware of the challenge this represents given the accountancy profession's limited success in trying to account for the future in other aspects of economic life with unintended, and sometimes damaging consequences. For example, the accounting of defined benefit pension arrangements and PPP concessions, typically with a 25 to 30 years concessionary period. Related to this and not discussed in the framework is the notion of "remoteness" and so how far into the future are prospective events to be accounted for. Also the framework might need more emphasis on the future resources available as well as the expenditure and outcomes.

PV6 – evolution of the scope of financial reporting

As noted in 3.21 IPSAS up to now have largely dealt with traditional financial statements and we accept that IPSAS may not be developed on all the matters covered by the 3rd to 5th bullet points from PV5. However these are legitimate present information needs of users of GPFR in the public sector which IPSASB should therefore be addressing. PV6 looks a rather cautious and meaningless statement which could be read to mean that IPSASB might get round to these if and when they choose to do so.

PV7 – qualitative characteristics

We note that these are much the same as in the IASB version and agree that this is an area where there is little reason for difference. We do not regard as problematic the identification by IASB, but not by IPSASB, of relevance and faithful representation as "fundamental" and the others as "enhancing". We prefer the greater emphasis here on the characteristics of substance over form and prudence in paragraphs 4.12 and 4.18, albeit that neither are raised to become primary characteristics.

It is not always clear, however, the extent to which the qualitative characteristics can be transferred to the provision of non-financial information, notably with faithful representation and verifiability.

Paragraph 4.21 sets a dangerous precedent in saying that certain underlying economic and other phenomena may be so complex that very few users will understand their representation and that in some cases "users may need to seek the aid of an advisor". Accounts must strive to present even complex issues in an accessible manner where they are significant and if the accounts are not readily understandable there is something wrong with them.

The reference about timeliness and the length of time over which programmes are seen to be effective is well made in paragraph 4.23, for example in relation to vaccination programmes.

PV8 – characteristics of a reporting entity

We agree with this view.

PV9 – content of a group reporting entity

We agree with this part of the framework and note that it is in line with the IASB's own formulation. The consolidation boundary is therefore set as including any entity where the public sector entity has both the power to govern decision making and obtaining benefits (in a wide sense). This is likely to be a difficult area in future as governments' involvement with banks and other financial institutions has deepened during the economic crisis. This section of the CF, however, is quite lengthy and detailed and much of it might be better kept for a consolidation standard.

If there are any matters arising from the above please be in touch with me.

Yours sincerely



Richard Martin

Head of financial reporting