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PSAB PUBLIC SECTOR ACCOUNTING BOARD
CONSEIL SUR LA COMPTABILITÉ DANS LE SECTEUR PUBLIC CCSP

May 26, 2010

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2 CANADA

Re: PSAB Staff Comments on Consultation Paper
"Reporting on the Long-Term Sustainability of Public Finances"

Thank you for the opportunity to provide input on the proposals in this consultation paper (CP). We apologize for the delay in our response.

Detailed comments about the consultation paper are provided in Appendix A to this letter. In principle, however, we support the concept of long term fiscal sustainability reporting (LTFSR). Specifically, we support it within the following parameters.

(a) We agree that the reporting of long term fiscal sustainability information is necessary to meet the objectives of financial reporting – i.e., accountability and decision-making [Preliminary View (PV) 1].

(b) We feel that reporting on the long term fiscal sustainability of public finances is broader than the aspects contemplated in the paper, which focus primarily on the long term sustainability of government programs. For example, the paper does not address the sustainability of capital assets, which form the foundation for the delivery of many government services.

(c) We support LTFSR as reporting supplemental to but perhaps accompanying government general purpose financial statements (see CICA Public Sector Accounting (PSA) Handbook, FINANCIAL STATEMENT CONCEPTS, paragraphs PS 1000.07-.13). [PV 2]

(d) We feel that LTFSR should start with indicators derived from the audited financial statements (i.e., based on historical data) as its base (see the Canadian SORP-4, *Indicators of Financial Condition*). LTFSR should also include additional future oriented financial information. As a whole, this reporting should provide information about the government's ability to meet its service delivery and financial commitments <u>both</u> now and in the future.

(e) We believe that the nature of LTFSR is best suited to governments, and is unlikely to be appropriate for government organizations. The long term fiscal sustainability of government organizations is inextricably linked to that of government and so it is likely impossible to do meaningful LTFSR at the government organization level.

(f) We agree that the IPSASB guidance on LTFSR should be based on the concept of the reporting entity [PV 3] and the boundaries of the reporting entity should be the same as for GPFS (which should also be the reporting entity boundary for the GPFR) and that the information reported on long term fiscal sustainability should embody the same basic qualitative characteristics as required for the information reported in general purpose financial statements (GPFS).

(g) We believe that this type of reporting can be done by governments at the sub-national level (see Canadian SORP-4, *Indicators of Financial Condition*). [PV 3]

In addition, we wish to draw the attention of the IPSASB to these primary areas of concern:

(a) The paper is too focused on the sustainability of government programs, likely because of the project's roots in the social policy obligations project. The project title may be a misnomer as significant aspects of public finances are not directly addressed in the paper. For example the condition of capital assets (including maintenance and replacement), such as major infrastructure networks, and the ability of such assets to continue to deliver government services over the long term, is ignored. The sustainability of public finances goes beyond program spending, particularly for capital intensive governments.

(b) Sustainability must be balanced with desired levels of performance. We must not appear to be advocating sustainability at the expense of other government priorities. Some programs need not be sustainable as their need is short-lived. Some programs may not be sustainable because of economic considerations that require a re-prioritization of how/where resources are applied. To illustrate, an extreme example might be "sustainable" roads paved in indestructible materials while people are dying in the streets. Some mention of this necessary balance between sustainability and levels of performance should be included in the exposure draft that follows this consultation.

(c) LTFSR is unlikely to find favour in Canada as part of a standard – i.e., if it is required reporting; or if it is required as part of GPFS rather than as supplementary and optional reporting. PSAB has received significant pushback from the preparers of government financial statements to its Statements of Recommended Practice (SORPs), in particular to clarify their status (i.e., that they are not GAAP) and the nature of their authority (i.e., that they are not standards or required reporting but are to be used if a government chooses to prepare the types of supplementary reporting that the SORPs address). The SORPs include:

(i) Financial Statement Discussion and Analysis (FSD&A);
(ii) Public Performance Reporting;
(iii) Assessment of Tangible Capital Assets; and
(iv) Indicators of Financial Condition.

SORP-4 addresses indicators of financial condition for all levels of government in Canada and was published in May 2009. This Statement is not referenced at all in the Consultation Paper. Although these SORPs do not require the types of reporting they address, they do set out best practices that are expected to be followed should a government choose to provide such reporting. And, the SORPs go through a full due process of consultation with the Canadian government community. So, arguably, SORP-4 does represent a consensus view on how to report on government financial condition from a Canadian perspective (when Canadian governments choose to report on it).

We recommend that guidance on LTFSR not be a standard but instead be guidance provided outside of GAAP.

(d) Some glossary of terms will be needed. Some terms come from projects that are currently under development, like the definitions of elements and a description of the information envisioned for inclusion in GPFRs and narrative reporting. Other terms may be unique to LTFSR but will require some precision so that this very complex reporting can be understood, for example the difference between the types of information included in a budget, a forecast and a projection. An example that illustrates how to put some parameters around reporting that involves projections is a soon to be superseded (by the adoption of IFRS) standard in the CICA Handbook-Accounting, FUTURE ORIENTED FINANCIAL INFORMATION (FOFI), Section 4250. In addition, there will need to be consideration of the different ways the terms "financial condition" and fiscal sustainability" are used internationally in developing definitions and descriptions of these for the IPSASB project. An additional Canadian resource may also be of use and we can provide it electronically if it is of interest. In 1976, the CICA published a research study "Earnings Forecasts". It was directed at the private sector and was published before earnings forecasts were common practice in Canada. It is a comprehensive study and some of the definitions and guidance it includes could be easily adapted for the public sector.

(e) We do not believe that LTFSR should result in the creation of new financial statements. We believe that such reporting should be supplemental to and complementary to the GPFS. We believe that stating that the ultimate objective is to move toward adding financial statements to illustrate LTFS is premature.

(f) We believe that financial condition is a broad complex concept that describes a government's financial health in the context of the overall economic and financial environment. In addition, we believe that an assessment of a government's financial condition needs to consider at a minimum the government's sustainability flexibility and vulnerability. These are each separate but inter-related subsets of a government's financial condition. Financial condition can be assessed at the financial statement date (i.e., using historical data), which is the primary intent of Canada's SORP-4. It can also be a forward looking concept that projects the government's future sustainability, flexibility and vulnerability using assumptions. We feel that additional clarity regarding what financial condition, fiscal sustainability, vulnerability and flexibility mean and how they relate to each other will be key in the exposure draft in order for respondents/users to get a picture of what the guidance is asking to be reported. Please see further comments in Appendix A.

(g) We do not believe that fiscal sustainability is inextricably linked with the idea of inter-period or inter-generational equity (CP paragraphs 1.2.3 and 5.3.1). Inter-generational equity or even inter-period equity may be good concepts in theory but are very difficult to achieve in practice. Further discussion of this concern is set out in Appendix A.

(h) We are concerned that the amount of flexibility (for example, variations in assumptions) allowed in LTFSR by the CP would make comparability of LTFSRs between jurisdictions and between years for the same jurisdiction difficult and the reports too complex for users. Some further rigour may be required in the guidance to address this risk. Further discussion of this proposal is set out in Appendix A.

We appreciate the opportunity to comment on this Consultation Paper. Please note that these comments are the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB). If you have any questions relating to this response please contact Martha Jones Denning at martha.denning@cica.ca.

Yours truly,

Tim Beauchamp

Tim Beauchamp
Director
Public Sector Accounting

Detailed PSAB Staff Comments on Consultation Paper

1. Objective of LTFSR

The objective of Long Term Fiscal Sustainability Reporting (LTFSR) needs to be precise. The larger goal is to provide useful information to users of general purpose financial reports (GPFRs) for accountability and decision making. However, more precisely, the objectives of LTFSR are the provision of information:

(a) to allow users to assess the future viability of programs and services,

(b) to assist users in understanding the impact on a financial condition and the potential implications on future operations of current programs and services,

(c) external to the financial statements that is needed to supplement and add further depth to financial statement indicators.

(d) that provides insights into the short-term and long-term implications of past and potential policy decisions on future revenue requirements of the government, and

(e) to provide a basis for comparison with other similar jurisdictions.

2. Terminology – "financial condition" and "fiscal sustainability"

It would be helpful if there was precision regarding the definitions and descriptions of "financial condition" and "fiscal sustainability". The confusion in the document likely arises because the document includes a review of the various international initiatives in this area. The development of a glossary for the exposure draft that follows on this topic will be important to ensure that all readers have the same understanding of these terms. Some of the paragraphs where we have observed inconsistencies regarding these two terms include:

2.5.2

This paragraph explains the relationship between "financial condition" and fiscal sustainability", stating that fiscal sustainability information is part of an assessment of financial condition.

[*We agree.*]

The paragraph also notes that "a complete assessment of the Government's financial or fiscal condition requires analysis of historical results, projections of future revenues and expenditures, and an assessment of the long-term fiscal sustainability of programs and services."

[*We agree but feel that assessing the government's vulnerability and flexibility are also a part of assessing its financial condition. Paragraph 5.3.6 of the CP references the 1996 CICA study upon which SORP -4 is based and talks about the importance of "vulnerability" as an indicator of sustainability. See discussion of this paragraph below. "Flexibility" speaks to the degree to which a government can change its debt or tax burden to meet its financial and service commitments. The idea of meeting obligations within the existing tax burden is mentioned in Exhibit 9 of the CP relating to Australia's Intergenerational Report and also in paragraph 5.3.1 regarding Schick's four dimensions of fiscal sustainability. See discussion of this paragraph below.*]

3.1.3

This paragraph notes that "The Financial Report also includes a Citizen's Guide, "The Federal Government's Financial Health" that provides a broader narrative summary of financial condition (a prospective notion) and financial position (a current notion)."

[*We do not agree that financial condition is only a prospective notion if that phrase means that it deals only with the future and does not include the government's current financial health as a result of past transactions, events and policies. Financial condition is a much broader concept than financial position and thus the distinction between them is not a question of future versus current focus. Both financial condition and financial position can be assessed at the financial statement date. However, financial position is solely a financial statement indicator, normally calculated as assets less liabilities. Financial condition goes beyond the financial statements, even though some indicators of financial information may relate financial statement information to economic information. Financial condition is a broad, complex concept with both short- and long-term implications that describes a government's financial health in the context of the overall economic and financial environment.*]

5.3.1

This paragraph states: "In considering approaches to the disclosure of information in narrative reporting, the conceptual framework developed by Schick is useful. He puts forward four dimensions of fiscal sustainability

Solvency: the capacity of governments to finance existing and probable future liabilities/obligations;

Growth: the capacity of government to sustain economic growth over an extended period;

Fairness: the capacity of government to provide net financial benefits to future generations that are not less than the net benefits provided to current generations; and

Stable taxes: the capacity of governments to finance future obligations without increasing the tax burden.

The dimensions of solvency and fairness are similar to the notions of fiscal capacity and service capacity developed in the GASB project discussed in Section Four."

[*We have issues with the dimensions of "growth" and "fairness". In terms of "growth", our issue is that economic growth is not wholly under the control of government and the description in paragraph 5.3.1 suggests that it is.*

Regarding the inclusion of "fairness" as a dimension of sustainability our issues are:

- *The achievement of "fairness" is in the eye of the beholder.*
- *Quantifying the achievement of "fairness" will be problematic even when the benefits to be assessed are financial.*
- *"Fairness" is seen to be achieved when future and current benefits are balanced. No consideration is thus given to the fact that the current generation may be paying for benefits enjoyed by past generations.*

We do agree, as stated in CP paragraph 1.2.3 that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today, and that a failure to address long term fiscal pressures may weaken the ability of governments to respond to other, less predictable future problems (such as climate change). So the concept of "fairness" is not irrelevant to an assessment of long term fiscal sustainability (LTFS) but it is difficult to make the concept operational.

We also agree with the dimension of "stable taxes" as this dimension is comparable to the idea of flexibility in SORP-4. See discussion of CP paragraph 5.3.6 below.]

5.3.6

This paragraph states: "The approach to reporting on long-term fiscal sustainability therefore needs to reflect the entity's fiscal powers, economic status and other specific circumstances**.** For example, the extent to which an entity is fiscally dependent upon the taxation policies of a higher level of government is likely to be an important indicator. Its importance lies in its illustration of the extent to which the maintenance of current service provision and the ability to meet financial obligations are dependent on the decision of other entities. A 1995 Canadian Institute of Chartered Accountants (CICA) report, "Indicators of Financial Condition" defined the term "vulnerability" to denote the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international."

[*We agree that vulnerability is an important aspect of financial condition and that indicators of vulnerability should be considered in the IPSASB project. SORP-4 includes the following definitions:*

> *Sustainability is the degree to which a government can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates.*
>
> *Flexibility is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.*
>
> *Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.*

Although they are stated as separate dimensions for evaluation in assessing a government's financial condition, we could live with flexibility and vulnerability as aspects to consider (or variables) when assessing a government LTFS. Excessive vulnerability to funding from others may impair a government LTFS. And governments with more flexibility might be more sustainable in the long term than governments with little or no flexibility.]

7.5.2

This paragraph states: "Consequently, entities can take a range of approaches to enhance their reasonableness and realism. Currently, publicly reported projections are subject to formal audit assurance only in the US. At the US federal level, the Statements of Social Insurance (SOSI) have been principal financial statements in the Financial Report of the US Government since 2006. The SOSI provides estimates of the financial condition of the most significant social insurance (contributory entitlement) programs of the federal government, principally most parts of Medicare and Social Security."

Further, an exhibit included in the CP states:

"Exhibit Eleven

US Government Accountability Office Opinion on Statement of Social Insurance

UNQUALIFIED OPINIONS ON THE STATEMENTS OF SOCIAL INSURANCE

FOR 2008 AND 2007

In our opinion, the Statements of Social Insurance for 2008 and 2007 present fairly, in all material respects, the financial condition of the federal government's social insurance programs, in conformity with GAAP."

[*We believe that the financial condition of social security programs is dependent on the financial condition of the government that provides them and are unsure of how the financial condition of such programs can be evaluated separately unless they are substantially funded from sources other than the government (which may be the case for the programs in Exhibit 11 in the CP). This is just a question rather than a statement because the above report indicates that such financial condition assessments of programs obviously are made. Perhaps the exposure draft that follows this CP could address how the financial condition of programs are, and/or when they would be, assessed independently of the governments responsible for the programs.*]

3. Paragraph 1.2.3 - Inter-period or inter-generational equity

This paragraph states: "Long-term fiscal sustainability has been linked to the concept of inter-generational equity or fairness, which evaluates the extent to which future generations of taxpayers will have to deal with the fiscal consequences of current policies. The concepts of intergenerational efficiency and effectiveness are also relevant. Intergenerational efficiency highlights the risk that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today. Intergenerational effectiveness highlights a further risk that the failure to address long term fiscal pressures may weaken the ability of governments to respond to other, less predictable future problems. Such future problems may perhaps relate to environmental factors, such as climate change and the degradation of natural resources."

Paragraph 5.3.1 also addresses this idea of "fairness" being part of fiscal *sustainability.*

[We agree that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today, and that a failure to address long term fiscal pressures may weaken the

ability of governments to respond to other, less predictable future problems (such as climate change). So the concept of "fairness"/ "inter-generational equity" is not irrelevant to an assessment of LTFS but it is difficult to make the concept operational.

Although it is stated that financial reports should provide information for accountability and decision-making, a third reason is alluded to in this CP. This concept was removed from the CP for Phase I of the Conceptual Framework project but is brought in again here as a part of fiscal sustainability. The idea is that financial reports (likely government financial reports in particular) should provide information about whether inter-period equity has been achieved and its impact on the government's long term sustainability. We feel that the IPSASB needs to examine the concept of inter-period or inter-generational equity and its role, if any, in GPFS and GPFRs before it is incorporated into any IPSAS or other guidance issued by the IPSASB.

GPFS: The emphasis in the Canadian framework is to ensure that the full cost of services in the accounting period is reflected in the financial statements and that the full extent of a government's revenue raising for the period is reflected in the statements. The question of cost recovery is a policy question and the standards do not presume that this is an objective in any particular year. The extent of taxation and other revenue raising in a particular year is a public policy decision. The financing of government activities is not an accounting decision. The financial statements report the full extent of the government's revenue raising in the year, the full cost of services provided in the year, whether the government is maintaining its net assets in a particular year and the impact of the year's activities on the government's net debt as well as cash flow. Cost recovery is not an objective of the required financial statements in the PSA Handbook, and it is questionable whether such an assessment is possible at the high summary level of the financial statements.

At the whole of government reporting level, a cost recovery objective may be seen as requiring inter-generational or inter-period equity. Some argue that financial statements can provide information about whether inter-generational or inter-period equity has been maintained. And, balanced budget requirements and the matching of revenues and expenses are often seen as integral to maintaining such equity. If users say that they want inter-period equity, they mean it only in the simplest sense. And, they tend to mean not passing on a burden to their children – they don't consider that they might be paying for benefits received by past generations. Most discussions of inter-period or inter-generational equity are future-focused.

Inter-generational equity or even inter-period equity may be good concepts in theory but are very difficult to achieve in practice. And again, a decision to manage government finances in order to achieve "inter-generational equity" or inter-period equity is a policy decision, not an accounting one. The financial statements cannot provide an assessment of whether this is achieved, nor should accounting *standards make the assumption that this is government's intention. In particular, assessments of such equity would go way beyond the operating statement of a government. Full information about the costs of services provided in a particular year might be good input into such an assessment and the extent to which a government is maintaining the net resources it needs to continue to provide services might also be good input information. But financial statements merely present a picture of what happened financially during the year (statement of operations, statement of change in net debt, statement of cash flow) and what resources/liabilities remain at the end of the year (statement of financial position). In Canada, government financial statements have a financial capital maintenance concept (in monetary terms – i.e., not adjusted for changes in purchasing power), which at most, tells users whether the government has maintained its net assets in financial terms after the activities of the accounting period have been taken into account. Good robust financial statements provide only part of the accountability picture for governments. Assessments of policy achievement and "inter-generational equity" or "inter-period equity" are beyond the scope of financial statements.*

GPFRs: However, such assessments might not be beyond the scope of broader government accountability reporting. If the IPSASB believes that assessment of inter-period equity is an objective of financial reporting (all financial reporting in the public sector not just governments) then it should explicitly address how and where such an assessment might be provided. Is LTFSR the right place? This inclusion is implied by paragraphs 1.2.3 and 5.3.1. Any exposure draft that follows this CP should discuss this issue explicitly and the IPSASB should take a reasoned, fully explained position on the issue. Is such an assessment an integral part of LTFSR?]

4. Making LTFSR understandable to Users

Indicators vs. Projections

There seems to be some confusion in some areas of the text (for example – please compare PV 4 and PV 5) between the use of the term "indicators" and projections". Will LTFSR include both indicators and projections? The discussion around projections seems to deal with inflows and outflows. The text around indicators describes some of those used by governments internationally. The Executive Summary deals with both and implies that the long term goal is to include projections in additional statements in GPFRs but that indicators and discussion in narrative reporting is more realistic in the short term. PV 4 then deals with indicators and PVs 5 and 6 deal with projections. More clarity regarding the intentions and timeline are needed here. The PVs imply that both indicators and projections would be expected at the same time. The Executive Summary states that indicators would be done first and then later projections would be included.

Projections based on Current Policies vs. Expected Policies

The CP notes that projections based on current policy will be the most relevant and understandable to users. We agree, but would add that some sensitivity analysis around factors not controlled by the government, such as some economic variables, should supplement projections based on current policy. That sensitivity analysis should show the impact of a change in one variable at a time if that is practicable so that the effects of changes are more easily understood.

The CP allows assumptions underlying the projections to be changed from current policy as long as they are accompanied by sensitivity analysis showing how material modifications in policy affect projections. We feel that this is too flexible an approach. If assumptions are made about changes from current policy then there should be some requirement that these changes be the "most probable" and that there be evidence to support this assertion. Anything else is more akin to a feasibility study rather than a projection. Both Canadian sources, Section 4250 and the 1976 study mentioned on page 3 of the covering letter, require that the assumptions reflect most probable future scenario(s). We also feel that it is inappropriate for a government to project changes in government policy beyond their expected term of office. Projections of any changes in government policy beyond that date would be pure conjecture.

If assumptions can be changed too easily, then the credibility of the reporting will suffer in the eyes of users.

One final observation is that PSAB constituents have resisted presentation of prospective information based on existing government policy. Likely, this resistance is based on the view that policy decisions are the purview of the legislature. Financial reports are seen as accounting documents and budgets as policy documents. So, the inclusion of prospective information in GPFRs that are based on current government policies may be seen as pre-empting the democratic process of parliaments to debate and set or change existing or future public policy. And, there may also be concern with GPFRs including prospective information based on assumptions about policy changes (even if there is evidence that they are "most probable") because the legislature will not yet have made the related policy changes. This final observation is just that – an observation. We have no suggestions as to how to address this resistance in Canada. Nor can we provide any insight as to whether similar resistance will be experienced in other jurisdictions.

5. Comments on Preliminary Views not addressed in Covering Letter

Preliminary View 4

- The IPSASB should consider proposing some common indicators that would apply to all national governments. The Board should also consider suggesting indicators that would apply to all governments. Leaving the field completely open is too subjective. The exposure draft to follow the CP may want to propose minimum indicators of fiscal sustainability. This guidance would reduce the risk that the inherently subjective process of assessing financial condition excludes key data that could materially influence a user's perception of a government's LTFS.

- In addition, we feel that allowing an indicator to be chosen or rejected based on the government's subjective assessment of whether it contributes to their ability to describe the scale of the fiscal challenge facing the government is also too flexible an approach. We suggest that more rigour is required in order to have some comparability between jurisdictions.
- We agree that comparative information should be provided.
- We agree that reasons for ceasing to report indicators should be disclosed.

Preliminary View 5: Agree but see our comments regarding "Making LTFSR Understandable to Users" above.

Preliminary View 6: Agree but see our comments regarding "Making LTFSR Understandable to Users" above.

Preliminary View 7: Agree.

6. Other Comments

Paragraph 2.4.1: We believe that there is some risk in even implying that future tax revenue streams could be recognized as assets.

Paragraph 3.1.9: Users in many jurisdictions are unfamiliar with LTFSR now but familiarity will grow as governments continue to experiment with providing it. We see the IPSASB's role as one of providing guidance with some rigour that will require governments to ensure that the link to GPFS, budgets etc. is clear and ensure that there is some consistency and comparability in the information reported. As noted in the covering letter, we believe that LTFSR should start with a base assessment of the financial condition of the government at the financial statement date. That reporting will include indicators of financial condition similar to those set out in SORP-4, which include:

(a) government-specific indicators — indicators about government finances derived from its financial statements;

(b) government-related indicators — indicators about government finances derived from a combination of information from its financial statements and from the economy within which the government operates; and

(c) economy-wide information — data about the economy within which the government operates that has a direct impact on the financial condition of the government.

With this as a base, the link to the financial statements would be clear. If planned and actual indicators are compared in the report as well, then a link to the budget may also be feasible. Future oriented indicators and projections could then be built from and linked to this base reporting.

Paragraph 3.1.12: Simply including references to separate reports on LTFS would not meet the qualitative characteristics of financial reporting and thus would not achieve the objectives of GPFRs.

Chapter 5: Canada's SORP-4, Indicators of Financial Condition, and the reporting of financial indicators in the reports of governments and the reports of legislative auditors in Canada is not referenced in this Chapter.

Paragraph 5.3.4: Canada's SORP-4 recognizes that a local government's taxable assessment base would serve the same role as GDP as an economic denominator in many indicators of financial condition such as the following sustainability indicators set out in SORP-4:

(a) net debt-to-GDP or taxable assessment;

(b) accumulated deficit -to-GDP or taxable assessment; or

(c) total expenses-to-GDP or taxable assessment.

Paragraph 5.4.3: We agree that trend information is important. Indicators for individual years reported without context are not very meaningful to users. For this historical "base" information, trend reporting might include the following:

(a) Comparative information can include a trend analysis where the actual results for the current period are compared against the actual results for prior periods. Trend data over multiple periods provides information that enhances discussions about the eventual consequences of policy decisions.

(b) Including at least five years worth of historical trend data would help put short-term anomalies into context and present results that may reflect the actions of more than one government. Governments that choose to report less than five years worth of trend data would include an explanation for selecting the shorter period.

Similar reasoning would justify reporting of the profile of indicators across time for future oriented information.