Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
Canada  

Dear Stephenie  

IPSASB EXPOSURE DRAFT – KEY CHARACTERISTICS OF THE PUBLIC SECTOR WITH IMPLICATIONS FOR FINANCIAL REPORTING  

1. The UK Treasury welcomes the opportunity to respond to the exposure draft on the Key Characteristics of the Public Sector with Implications for Financial Reporting.  

2. We understand that the exposure draft has been released as part of the wider project to develop a Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. We support the role that a Conceptual Framework plays in setting financial reporting standards and recognise the considerable work undertaken by IPSASB and its various stakeholders in developing the framework.  

3. The ED provides a comprehensive overview of the Key Characteristics of the Public Sector with Implications for Financial Reporting. As is correctly observed, characteristics of the public sector such as the widespread prevalence of non-exchange transactions, the crucial role of the budget, and the government’s regulatory role raise a number of implications for financial reporting. Understanding these implications is crucial if general purpose financial reports are to allow users to make a wide range of decisions and to hold reporting entities and those charged with governance to account.  

4. As you may know, central government in the UK has used generally accepted accounting practice since 2000, and transition was made to IFRS for the 2009-10 financial year. Our rationale for adopting independently set standards is to instil financial discipline in our stewardship, accountability and performance reporting. The reason we have based our financial reporting standards on those used by the private sector is the need to demonstrate the public sector’s use of its share of what is a single economy. For this reason, while we recognise that there are key characteristics of the public sector that have implications for
financial reporting and support the IPSASB’s development of a conceptual framework, we maintain that financial reporting standards should be as sector neutral as possible.

5. I attach an annex in which we respond to the Specific Matters for Comment. If you would like any further information or to discuss the contents of this letter, please contact Chris Wobschall in the first instance (chris.wobschall@hmtreasury.gsi.gov.uk, +44 (0)20 7270 4508), whom of course you know as the Technical Adviser to the UK IPSASB member.

Yours sincerely

KEN BEETON
Annex
Specific Matters for Comment

1: Do you agree that this document provides useful background information on the key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting? If not, please indicate how you would modify the document.

We agree that the document provides useful background information on the key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting.

As the document itself indicates, it is not intended to be an exhaustive list of all the areas in which the public sector can be distinguished from the private sector. Rather, it rightly focuses on key areas of importance, and also highlights the fact that users of financial reports of public sector entities have broader information needs than users of financial reports of private sector entities.

2: Do you agree that this document should be included as part of the IPSASB’s literature? If you agree, where do you think the material in this document should be located:

(a) As part of the Conceptual Framework;
(b) As a separate section of the Handbook of International Public Sector Accounting Pronouncements; or
(c) Elsewhere with some other status – please specify?

The need for an IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities is driven by the key characteristics of the public sector that distinguish it from the private sector. If these key characteristics did not exist, then it is likely that the IASB’s conceptual framework would be sufficient to meet the needs of users of general purpose financial reports of public sector entities.

We would support the inclusion of the material in this document as part of the Conceptual Framework. We believe that by identifying the key characteristics of the public sector and the potential implications of those key characteristics for financial reporting, it provides a justification of the need for a Conceptual Framework and the foundation upon which the rest of the framework is developed.