

April 30, 2010

Ms. Stephenie Fox
Technical Director
International Public Sector Accounting
Standards Board
International Federation of Accountants
227 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2
CANADA

Institut der Wirtschaftsprüfer
in Deutschland e.V.

Wirtschaftsprüferhaus
Tersteegenstraße 14
40474 Düsseldorf
Postfach 32 05 80
40420 Düsseldorf

TELEFONZENTRALE:
+49 (0)211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:
+49 (0)211 / 454 10 97

INTERNET:
www.idw.de

E-MAIL:
info@idw.de

BANKVERBINDUNG:
Deutsche Bank AG Düsseldorf
BLZ 300 700 10
Kto.-Nr. 7480 213

Dear Ms Fox,

Re: Consultation Paper: Reporting on the Long-term Sustainability of Public Finances

We appreciate the opportunity to comment on the consultation paper mentioned above and would like to submit our comments as follows:

Given the widespread public interest in the challenges currently facing many central governments and other public sector entities throughout the world, the IDW supports the IPSASB encouraging public sector entities to firstly prepare, as a basis for informed decision making, and potentially provide to their stakeholders, information on the extent of the challenge faced in maintaining a sustainable fiscal path.

We agree that, given that the form and content of long-term fiscal sustainability reporting is still evolving, it is currently not appropriate for the IPSASB to prescribe a rigid approach. Indeed, because of this situation, we do not believe it will be possible, or indeed appropriate, to expect the majority of respondents to be in a position to provide well-founded views on the content of the paper, as views need time to mature as experience is gained. Thus, we would like to clarify that in voicing our general support for this initiative we are not expressing any view as to the appropriateness or otherwise of the content of the consultation paper. Nevertheless, we would like to draw your attention to certain particular concerns we have at this stage.

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamann, RA

page 2/3 to the comment letter to the IPSASB dated April 30, 2010

Impact of IPSASB deliberations in developing a conceptual framework for the public sector

In developing the IPSASB's conceptual framework, there are many "open" issues which could arguably have a fundamental impact on the consultation and vice versa. In particular, the definition of the term "asset" in a public sector context (e.g., whether the power to collect tax is an asset and, if so, how it should be measured), the recognition of liabilities (whether the "due and payable approach" is overly restrictive) and the measurement bases for assets and liabilities – e.g., a move away from fair value to "deprival value" could have a significant impact on the decision of how to measure long-term items and thus on the "reliability" or ability to provide a "faithful presentation" of such amounts. In this context, we note below that this issue has audit implications and also note that others have addressed similar concerns as outlined in section 3.1.4 on pages 22 and 23.

Inclusion of information on long-term fiscal sustainability within the general purpose financial statements

One further area of concern we have relates to the connection the paper makes between the general purpose financial statements (GPFS) and the general purpose financial report (GPFR). We note that page 16 (2.2.6) states that information in the GPFS needs to be complemented [by information on the long-term sustainability of public finances] in order to facilitate an assessment of an entity's future financial viability. Whilst we agree that the objectives of financial reporting include accountability and decision making, we are not yet convinced that enhancing the information provided in the traditional GPFSs with information such as that dealt with in the consultation paper in order to facilitate an assessment of an entity's future financial viability is a necessity in meeting these objectives, as is purported in the paper. We do agree that information of the nature covered in the consultation paper might be included in the GPFR; however, no convincing case for the inclusion of this type of information within the GPFS has been made in the paper (e.g., page 18 (2.4.6) and page 19 (2.5.1 and 2.5.2)).

It would, therefore, be helpful for the IPSASB to clarify that it is not intending to suggest the Board might be countenancing the inclusion of the information dealt with in the consultation paper exclusively within the financial statements themselves, since including such extensive and comprehensive long-term information would result in a change of the very nature of financial statements, the basic purpose of which is to provide historical financial information. For

page 3/3 to the comment letter to the IPSASB dated April 30, 2010

example, including the potentially large values attributable to both “expected resources to be realized in the future” and “expected obligations to be settled in the future” as depicted on page 19, were these to encompass all such potential resources and obligations, within the statement of financial position could certainly distort the picture portrayed therein to such an extent as to render the remainder of the information presented in that statement insignificant. This would adversely affect users’ ability to understand the general purpose financial statements. Having said this, and whilst not wishing to preempt the outcome of the deliberations and consultation surrounding specific further IPSASB projects, we recognize that the Board may well consider whether it is appropriate for public sector entities to account, in a meaningful way, for social obligations and particular public sector specific assets within their GPFS in future.

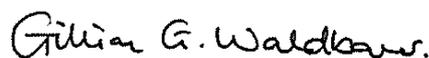
As we have mentioned above, there are also significant audit implications attaching to this issue, not least the degree of assurance that might be meaningfully obtained on the type of long term future oriented information dealt with in the consultation paper. In this context we would like to reiterate one concern raised in our letter to you dated 31 March 2009 as to proposals to exclude “reliability” from the list of fundamental qualitative characteristics in favor of the term “faithful presentation”. The nature of the information of such long-term nature is such that it will not be useful if it is not accurate, and there is potentially an incentive, especially for governments to “defend” their own policies in presenting the best picture possible.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours truly,



Klaus-Peter Naumann
CEO



Gillian Waldbauer
Technical Manager