



Government of Newfoundland and Labrador  
Department of Finance  
Office of the Comptroller General

August 11, 2011

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

Dear Ms. Fox:

**Re: IPSASB Exposure Draft - Key Characteristics of the Public Sector with Potential Implications for Financial Reporting**

I offer the following comments to IPSASB on the Exposure Draft (ED) - *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting* on behalf of the Provincial Government of Newfoundland and Labrador.

While it is recognized that this ED has been developed as part of this project, it is our position that the topics addressed in this ED should have been issued with the Exposure Draft and Consultation Papers that were Phases I, II, and III of the IPSASB's project on the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

The document as a whole does not adequately develop the characteristics of constitutional structure and its importance from a conceptual perspective. It should allow consideration for financial reporting that reflects different jurisdictional attributes and constitutional structures. If a conceptual framework develops principles that do not appreciate the unique characteristics or legislative structures across different governments and its government organizations, it will not provide financial information that is useful and informative for the primary user.

In addition to these general comments noted above, I offer the following details that are of significant concern to the Province in relation to the specific proposals of this document. In particular, I specifically reference paragraphs 6.3, 6.6, 7.2 and 8.1 as these discuss concepts that have been identified in the other phases of the IPSASB's Conceptual Framework Project to which we have raised concern. It is our position that rather than posing questions, the document should provide more rationale to understand acceptable differentiation required from private sector accounting standards when considering concepts that are unique to the public sector.

Paragraph 6.3 discusses the longevity of government programs and the fact that the effects of past decisions are not known until many years into the future. Also questions whether obligations related to such programs meet the definition of an asset or liability in the financial statements. It is our position that this concept as presented does not develop rationale of understanding the uniqueness of government operations or support its implications in relation to financial reporting that should provide useful information to the users of the financial statements.


Paragraph 6.6 discusses the longevity of the public sector and that the concept of going concern is less relevant in the public sector, while at the same time, noting that it is of increasing relevance to provide information on long-term sustainability of key programs and a need of prospective financial reporting for accountability and decision-making purposes. It is our position that guidance in such areas beyond the financial statements should be left to the discretion of the individual reporting jurisdictions which may have their own legislative and/or regulatory requirements in such reporting areas.

Paragraph 7.2 discusses the regulatory role of government, the impact that this role has on the pricing structures and operating approaches of private sector entities and the impact this role has on the reporting entity and the scope of financial reporting in the public sector. Again, such an approach leads to more questioning and subjectivity in determining the extent of inclusion within the government reporting entity and avoids more appropriate discussion of constitutional arrangements that should be respected in developing the concept of a government reporting entity within the Conceptual Framework.

Finally, paragraph 8.1 discusses the rights of natural resources (mineral reserves, water, fishing grounds and forests) that allow governments to grant licenses or obtain royalties and questions whether such rights give rise to assets, and if so, whether such assets meet the criteria for recognition in financial statements. It is our position, as previously provided to the IPSASB, while there may be some perceived benefit associated with these unique rights of government, it is still questionable whether recording such items as assets would be useful or even appropriate from a financial reporting perspective.

Thank you for the opportunity to provide my comments on this issue. If you require further information, please contact myself or Carmalea Gillingham, Accounting Research Specialist, at (709) 729-4049.

Yours truly,



**RONALD A. WILLIAMS, CA**  
**Comptroller General of Finance**

cc: Terry Paddon, Deputy Minister of Finance