

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

Dear Sirs,

**Exposure Draft 46 Proposed Recommended Practice Guideline - Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances**

The Accounting and Auditing Standards Desk of the Abu Dhabi Accountability Authority (ADAA) is pleased to respond to the International Public Sector Accounting Standards Board (IPSASB) on ED 46 and is fully supportive of the IPSASB's drive to improve the quality of financial reporting of Public Sector Entities (PSEs).

**General comments**

ED 46 is positioned as best practice guidance and is not required to be adopted to comply with IPSAS. In our experience it is unlikely that reporting entities choose to adopt voluntary disclosures.

It is perhaps unnecessary for entities (or groups of entities) below the level of the General Government Sector (GGS, as defined in IPSAS 22) to adopt such reporting since the key "*dimension*" of their sustainability is likely to be their vulnerability to raise or receive income from choices Government makes to provide or not provide ongoing financial support. However we do not suggest that these entities be deterred from providing long-term sustainability information. Indeed it may be easier for them to provide such information, although its use may be limited.

We agree that the issue of long-term sustainability is of great importance in the current economic environment and that PSEs be encouraged to provide the information set out in ED 46. One way of achieving this might be to mandate the adoption of ED 46 at an appropriate level of reporting such as at the level of the GGS or at the highest consolidated level.

We also agree that reporting on the long-term sustainability of PSEs' finances are complex and that there are many assumptions and judgments to consider. The length of time that the reporting period covers brings an additional sensitivity and complexity to those assumptions and judgments which do not feature in entities' current annual reporting.

We understand the IPSASB's reluctance to make firm recommendations on best practice as experience in this reporting is developing. However we feel that ED 46.19 in describing a level of flexibility in reporting information also provides a level of confusion. Developing experience of this reporting will take time and whilst entities are developing this experience we suggest the IPSASB consider issuing illustrative examples to accompany ED 46 to present a minimum level of disclosure required. In the year of adoption this would ease comparability and avoid a quality gap between reporters. The illustrative examples could be reviewed and reconsidered in subsequent years as experience develops.

**Reporting boundary of the entity or group of entities being reported upon**

ED 46.15 refers to the characteristics of the entity being reported upon. However these characteristics could be attributed to a group of entities that is not necessarily the same as in ED 46.12 which refers to the GGS. In addition the accounting under IPSAS 22 for investment in the Public Financial Corporations Sector and the Public Non-Financial Corporations Sector is different from IPSAS 6 which could lead to a another set of numbers in the consolidated reporting and result in less clarity of the sustainability of financial performance rather than more. We suggest in support of comparability at the highest consolidated level of reporting that the guideline refers to level of GGS.

**Specific Matters for Comment 1**

*Do you agree that the characteristics of an entity that indicate whether users for information on long-term fiscal sustainability are those set out in paragraph 15? If you consider that there are more appropriate indicators please provide them.*

If ED 46 is mandatory or voluntarily adopted by a reporter the decision to report on long-term fiscal sustainability is a decision already taken. It seems therefore unnecessary to determine within ED 46 characteristics of an entity it applies to.

Tuesday, February 28, 2012

ED 46.15 states: *“There are likely to be users.”* The use of likely also implies not likely and therefore even if the characteristics feature in an entity, the entity is not compelled to comply with ED 46.

Lastly, we consider the characteristics are closely linked to characteristics of Local or National governments and would exclude many other public sector entities.

We suggest that the characteristics are included in a foreword or introductory notes to the ED rather than embedded in the standard.

***Specific Matters for Comment 2***

*Do you agree that the “dimensions” of long-term fiscal sustainability in paragraphs 27-37 provide a viable framework for narrative reporting on the long-term sustainability of an entity’s finances that complements and interprets the projections? If not how would you modify this approach?*

We agree that fiscal capacity, service capacity and vulnerability provide three useful barometers of long-term fiscal sustainability. Paragraph 37 indicates that increases in taxation should not be considered which may be inconsistent with the strategy Government is applying in a particular term.

***Specific Matters for Comment 3***

*Do you agree with the guidelines in this ED in disclosure of principles and methodologies, including risks and uncertainties? If not, how would you modify these guidelines?*

We agree with the disclosure guidelines in the ED. We also agree that information released should be up-to-date at the point it is released.

We suggest entities disclose whether the projections used are based on the latest budgets and forecasts used and approved by senior management.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Steven Ralls', is written over a light grey rectangular background.

Steven Ralls BA, FCA  
Head of Accounting and Auditing Standards Desk  
Financial Audit and Professional Regulation  
Abu Dhabi Accountability Authority