



Ms Stephenie Fox
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13 March 2012

Ref.: PSC/PRJ/TSI/SRO

Dear Ms Fox,

IPSASB ED 46 - Proposed Recommended Practice Guideline, Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances

- (1) FEE (Fédération des Experts Comptables Européens - Federation of European Accountants) is pleased to submit its views on this draft document ("Practice Guideline").

General Comments on the Exposure Draft

- (2) We strongly support IPSASB's programme which helpfully combines IFRS converged IPSASs on matters which are common to both private and public sectors, public sector specific IPSASs on matters which are unique to the sector, and conceptual work which will inform the development of standards in future, seeking to achieve the optimum balance between maintaining comparability and addressing sector specific issues.
- (3) This draft provides a useful basis for improved reporting in this area. We would note that the FEE response to the Consultation Paper in 2010 set out our view that reporting on fiscal sustainability should be mandatory, but that IPSASB should not mandate the content of such reporting.
- (4) Having said this, we have some concerns that the current draft Practice Guideline is not sufficiently clear.

- (5) We note that the drafting style is in some ways similar to the IASB Practice Statement on Management Commentary, which like the proposed Practice Guideline is non-mandatory, but nevertheless contains requirements for entities which elect to apply it. However, in our view the draft Practice Guideline is rather less clear than the finalised IASB Practice Statement.
- (6) In particular, we would note that the IASB Practice Statement uses “should” in *all* cases where there is a requirement for content or action by management. While most of the requirements in the Practice Guideline are expressed in terms of “should”, some apparent requirements are articulated in terms of “needs to” or “is important”. This makes the status of the guidance and the requirements for compliant reporting much less clear.
- (7) We also have concerns that the Practice Guideline does not use a consistent approach to providing contextual explanatory material for requirements, and this makes it more difficult for readers to distinguish between descriptions, requirements, and optional approaches within requirements.

Specific Matters for Comments

- (8) FEE’s views are set out below on the three Specific Matters on which IPSASB would particularly value comments.

Specific Matter for Comment 1

Do you agree that the characteristics of an entity that indicate whether users exist 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.

- (9) We agree that these characteristics provide a useful indicator of whether users might exist for whom public sector reporting entities might reasonably be expected to provide such reporting.

Specific Matter 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?

- (10) We agree that the “dimensions” provide a viable framework for this reporting, subject to our drafting comments at 4 to 7 above.

Specific Matter for Comment 3

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

- (11) We agree in general terms with the guidelines on disclosure of principles and methodologies, but in line with our comments at 4 to 7 above we consider that the drafting could be improved to more clearly indicate which disclosures are required.

For further information on this letter, please contact Tibor Siska, Project Manager from the FEE Secretariat, on +32 2 285 40 74 or via e-mail at tibor.siska@fee.be.

Yours sincerely,



Philip Johnson
President