



ED 68

Responses due by 15 April 2010

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON THE CONSULTATION PAPER ON REPORTING ON THE LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

(ED 68)



ED 68

Commenting on this exposure draft

The Accounting Standards Board (the Board) seeks comment on the Consultation Paper on *Reporting on the Long-Term Sustainability of Public Finances* issued by the International Public Sector Accounting Standards Board (IPSASB). Comment received on this exposure draft will be used in formulating a response to the IPSASB.

Comment should be submitted in writing so as to be received by **15 April 2010**. E-mail responses are preferred. Unless respondents to an exposure draft specifically request confidentiality, the comment is a matter of public record once the document has been issued. Comment should be addressed to:

The Chief Executive Officer
Accounting Standards Board
International Business Gateway
Cnr. New Road and Sixth Street
Block A, Midridge Office Estate
Midrand

P O Box 74219

Lynnwood Ridge

0040

Fax: +2711 697 0666

E-mail Address: info@asb.co.za

Copyright © 2010 by the Accounting Standards Board.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the Accounting Standards Board.

Permission to reproduce limited extracts from the publication will usually not be withheld.

Background to this exposure draft

The IPSASB issued a Consultation Paper on *Reporting on the Long-Term Sustainability of Public Finances* following its strategy to improve and address financial accounting and reporting issues encountered by governments internationally.

Financial statements prepared in accordance with International Public Sector Accounting Standards (and Standards of GRAP) focus on reporting historical information about transactions and events that occurred within a reporting period. Little or no information is provided about the future sustainability or affordability of current government programmes within those financial statements. More specifically, information about the costs and funding of individual government programmes, along with an assessment of the sustainability of those programmes, is generally not provided within the financial statements or its accompanying report.

The IPSASB has concluded that it is important to provide information about the sustainability of government programmes in addition to the historical information provided in the financial statements. The Consultation Paper issued by the IPSASB explores various aspects of this reporting.

As the Board will consider the outcome of the international process in informing a local project on this topic, it is important that the Board provide appropriate comment on South African views and experiences on reporting information on fiscal sustainability. As a result, the Board approved the exposure of the international exposure draft, as issued by the IPSASB, for concurrent exposure. The comment submitted to the IPSASB will serve the following purpose:

- To feed into the international comment process.
- To provide the South African representative on the IPSASB with information that has been contributed by a wide range of users of public sector accounting standards in South Africa to share with members of the IPSASB at the meetings where these comment letters will be considered in developing the IPSAS.
- To provide input into the local standard setting process if and/or when the Board considers initiating a project on this topic.

Due process and timetable

The due process followed by the Board in developing Standards of GRAP is for the Board to receive comment on the proposals set out in this exposure draft from preparers, users, auditors, standard setters and other parties with an interest in public sector financial reporting. Accordingly, all interested parties are invited to provide comment.

Invitation to comment

Comment is invited by **15 April 2010** on this exposure draft. The comment period is earlier than the comment date of the international exposure draft in order to enable the

Board to review and collate the comment received prior to submission to the IPSASB. The Board requires that respondents express an overall opinion on whether the Consultation Paper, in general, is supported, and supplement this opinion with detailed comment, whether supportive or critical, on the principles in the Consultation Paper. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, with supporting reasoning, where this is appropriate.

Invitation to comment on specific matters

The IPSASB invites comment on the following preliminary views as included on page 6 of the Consultation Paper:

Preliminary Views

1. The presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the IPSASB's Consultation Paper, "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities," issued in September 2008 (Section Two).
2. IPSASB guidance should recommend that long-term fiscal sustainability information in GPFRs be presented either through:
 - Additional statements providing details of projections; or
 - Summarized projections in narrative reporting (Section Three).
3. IPSASB guidance should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government (Section Four).
4. IPSASB guidance should recommend that long-term fiscal sustainability indicators be selected based on (a) their relevance to the entity, (b) the extent to which the indicators meet the qualitative characteristics of financial reporting, and (c) their ability to describe the scale of the fiscal challenge facing the entity. It should also recommend that comparative information is provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed (Section Five).
5. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:
 - Any deviations from the principle that long-term fiscal sustainability projections are based on current policy;
 - The basis on which projections of inflows from taxation and other material revenue sources have been made;
 - Any other key assumptions underpinning long-term fiscal sustainability projections; and

- Details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework (Section Six).
6. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:
- Time horizons for fiscal sustainability projections presented or discussed in the GPFRs as well as the reason for modifying time horizons and any published plans to modify those horizons;
 - Discount rates, together with the reason for their selection;
 - Results of key sensitivity analyses; and
 - Steps taken to ensure that projections are reliable (Section Seven).
7. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that (a) the underlying projections should have been prepared or updated within five years of the reporting date, and (b) the date of preparation or update should be disclosed (Section Seven).

It would be useful for the Board if respondents could comment on these preliminary views, with supporting comment for agreeing or disagreeing with the proposal.

Other matters

As with any other exposure draft, comment on any other matter would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs in your response.