

24 February 2012

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Dear Stephenie

**Exposure Draft: Reporting on the Long-Term Fiscal Sustainability of Public Finances**

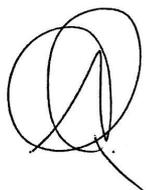
Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) Exposure Draft 46 Proposed Recommended Practice Guideline (RPG) Reporting on the Long-Term Fiscal Sustainability of a Public Sector Entity's Finances. CPA Australia, the Institute of Chartered Accountants and the Institute of Public Accountants (the Joint Accounting Bodies) have considered the proposals and our comments follow.

The Joint Accounting Bodies represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies believe that reporting on long-term fiscal sustainability issues and relevant indicators for some reporting entities will be necessary to meet the accountability and decision-making objectives of general purpose financial reporting. However, we agree with the IPSASB conclusion that it would be premature at this stage to require such reporting. Therefore, we support the IPSASB proposal to issue the RPG as guidance. The Appendix to this letter contains our response to the questions for comment.

If you require further information on any of our views, please contact Mark Shying, CPA Australia by email [mark.shying@cpaaustralia.com](mailto:mark.shying@cpaaustralia.com), Kerry Hicks, the Institute of Chartered Accountants by email [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au) or Tom Ravlic, the Institute of Public Accountants by email [tom.ravlic@publicaccountants.org.au](mailto:tom.ravlic@publicaccountants.org.au).

Yours sincerely



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## **Appendix: Our comments in response to the ED**

**Question 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.**

We consider the characteristics as set out in paragraph 15 are suitable for enabling an entity to determine whether it should concern itself with the reporting of information on long-term fiscal sustainability.

Paragraph 15 considers that users of long-term fiscal sustainability information will exist when an entity has one or more of significant tax and/or other revenue raising powers; powers to incur debt; or wide decision-making powers over service delivery levels. We support the use of such indicators, in the context of users comprising resource providers and their representatives or service recipients and their representatives.

**Question 2: Do you agree that the “dimensions” of long-term fiscal sustainability in paragraph 27 – 37 provide a valuable 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 the three dimensions of long-term fiscal sustainability – fiscal capacity; service capacity; and vulnerability – provide a suitable framework to understand the narrative of the long-term sustainability of an entity’s finances.

**Question 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 those guidelines?**

We consider the guidelines suitable. However, we believe the guidelines would be improved by the inclusion of material on long-term fiscal indicators and their relationship to the qualitative characteristics of financial reporting. We also support the RPG being expanded to include requirements for comparative information and the reasons for ceasing to report indicators, if this occurs.