



PO Box 1077
St Michaels, MD 21663
T. 410-745-8570
F. 410-745-8569

April 29, 2011

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the Exposure Draft for Phase 1 of the Conceptual Framework. We are pleased to see the IPSASB move forward in developing the conceptual framework.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM welcomes a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this exposure draft is one from an international perspective.
3. We agree with the Role, Authority, and Scope of the Conceptual Framework expressed in Section 1 of the ED but would like the following comments to be considered:
 - a. There should be a linkage to the appendices in Section 1. We suggest the following be added to paragraph 1.1: "In establishing these concepts, the IASB Conceptual Framework (Appendix 1A) and the Statistical Bases of Reporting of the 1993 System of National Accounts (Appendix 1B) were taken into consideration."
 - b. Some recognition should be given to other public sector entities, such as the UN, OECD, and NATO. We suggest the following be added to the second sentence in

- paragraph 1.8: “as well as other public sector entities, such as the UN, OECD, and NATO. These concepts will help avoid any mis-understandings that may occur during implementation.”
4. We also agree with the Objectives of Financial Reporting and Users of General Purpose Financial Reports in Section 2 except for the following:
 - a. A lead-in to Appendix 2A (IFRS) and Appendix 2B (SNA) is needed to explain why it is included. We suggest the following be added to paragraph 2.1: “The objectives of financial reporting and users of financial reports considered those previously established by the IASB (Appendix 2A) and the SNA (Appendix 2B). In particular, these include the objectives in the GFSM 2001 and the Public Sector Debt Statistics to be issued in early 2011.”
 - b. Many service recipients do not fully understand accrual accounting but they want to assure that their children and grandchildren will enjoy the same or higher level of services that they currently receive. Thus, we would add the following to the last sentence in paragraph 2.8: “(otherwise known as inter-period equity). For government financial statements, we believe that the primary users are citizens (and their elected representatives). A government’s accountability to their citizens is the fundamental basis for democracy. Tax payers may provide the bulk of the revenue for governments to fund services for their service recipients, but neither of these two groups of stakeholders can hold a government to account without adequate financial information. Financial statements are the way that governments are held to account, ultimately in the ballot box, for the management of their finances.”
 - c. Fiscal sustainability is a major concern for many public sector entities and it needs to be included in the conceptual framework. Thus, we recommend the following be added to paragraph 2.10: “Is providing sufficient resources to maintain fiscal sustainability in the future.”
 - d. Fiscal sustainability should be reiterated in paragraph 2.12. Suggest the following be added to the first bullet: “These decisions are especially crucial to assure that the public sector entities sustain their fiscal viability.”
 5. We also agree with the Qualitative Characteristics in Section 3 but would add the following to paragraph 3.1 since a lead-in to the appendices is needed: “The qualitative characteristics considered those previously established by the IASB (Appendix 3A) and the SNA (Appendix 3B).” In addition, we prefer the following:
 - a. A qualitative characteristic of “reliability” should be used in lieu of “faithful representation” since the users of the financial information should be able to rely on the faithful representation of the information provided.
 - b. Materiality should be kept separate as a constraint on the qualitative characteristics in lieu of inclusion under relevance since a balance must be maintained between the cost/benefit decision to assure that the financial information can be relied upon.
 6. We also agree with Section 4 on the Reporting Entity but would add the following to paragraph 4.6 since a lead-in to the appendices is needed: “The conceptual foundation for a reporting entity considered those previously established by the IASB (Appendix 4A) and the SNA (Appendix 4B).” Also, in Section 4, it is not clear how there can ever be a generic

definition of a group reporting entity in the public sector. The conclusion seems to be that the definition will vary between jurisdictions.

7. Our broader concern is that this is not in fact a Conceptual Framework. There is no overarching model that can be used as framework. Instead what we have is a series of quite useful general rules that do provide a framework for specific IPSAS. We look forward to integration of the Consultative Papers into this Exposure Draft as an overarching model is developed.
8. We appreciate the opportunity to comment on this exposure draft and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.851.0525.

Sincerely,

A handwritten signature in blue ink that reads "Jesse W. Hughes".

ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair

Masud Mazaffar

Michael Parry

N. Tchelishvili

Andrew Wynne

Cc: Linda Feeling
President, ICGFM