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August 15, 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 IPSAS ED on Key Characteristics of Public Sector. We are pleased to see the IPSASB move forward in the effort to further clarify 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. In response to Comment 1 (Do you agree that this document provides useful background information on the key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting?), we do agree but would encourage the following be considered:
 - a. Define liquidity, fiscal discipline, and fiscal sustainability so that the reader clearly understands the differences between the terms. The following definitions are suggested:

- i. **Liquidity**—a measure of the ability of a government to pay its debts as and when they fall due.
 - ii. **Fiscal Discipline**--the ability of a government to operate within their legally approved budget.
 - iii. **Fiscal Sustainability**—the extent to which current patterns of government spending do not undermine the capability of the government to continue to spend and achieve its public purposes in future years.
 - b. In paragraph 2.3, add the following questions:
 - i. Are sufficient liquid assets available to meet current liabilities?
 - ii. Is the fiscal policy sustainable for future generations?
 - iii. Are revenue raising and expenditure strategies convergent with the policy goals of the entity, e.g. equity, income redistribution, social welfare, etc?
 - c. At the end of the first sentence to paragraph 3.3, add (i) financial objectives “to maintain fiscal discipline” and (ii) “to contribute to the policy goals of the entity”.
 - d. In para 4.2 rather than referring to “specialized” assets, why not say that they include infrastructure assets.
 - e. To clarify the relationship between statistical reporting systems and accounting systems, add the following to the end of paragraph 9.1: "The data for these statistical reporting systems are generally extracted from the accounting systems maintained by the public sector entities." Also this paragraph understates the significance of statistical reporting. For example, all EU member states must report in accordance with ESA95; they may or may not choose to report in compliance with IPSAS. For the EU it is ESA95 reports that determine the compliance of governments with EU requirements; hence such reports are legally fulfilling the role that a commercial entity would be provided by IFRS compliant financial statements. This is an existential challenge to IPSAS which is not adequately addressed.
4. In response to Comment 2 (Do you agree that this document should be included as part of the IPSASB’s literature?), we do agree and would like to see it included as part of the conceptual framework. Our position is based on the premise that the key characteristics form the basis for the conceptual framework.
5. 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,



ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair

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Cc: Linda Fealing
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