

IPSASB Conceptual Framework Exposure Draft Phase 4 —
Presentation in General Purpose Financial Reports

response to exposure draft

08 August 2013

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As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

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Submitted electronically

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Dear Stephenie Fox

IPSASB Conceptual Framework Exposure Draft Phase 4 –Presentation in General Purpose Financial Reports

CIPFA is pleased to present its response to this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

As noted in successive responses, CIPFA strongly supports IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific IPSASs. A key element of this is the development of a public sector Conceptual Framework, which will aid both IFRS converged development and freestanding development of standards on public sector matters.

Response to specific questions

Comments on the specific matters for comment are provided in the attached Annex A. These all support the substance and content of the exposure draft.

Overall we found the drafting of the ED clearer than the previous Consultation Paper, although it would also be helpful if the draft Standard is reviewed for consistency and clarity, after making any amendments arising from comments on the ED. Some minor drafting comments are provided at Annex B.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org, t:+44(0)20 7543 5794).

Yours faithfully

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Specific Matters for Comment

CIPFA responses to the Specific Matters on which IPSASB would particularly value comment are set out below

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

CIPFA agrees with the proposed descriptions.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

CIPFA agrees with the identification of three presentation decisions.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

CIPFA agrees with the proposed approach to making presentation decisions.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFs?

If not, how would you modify the description(s)?

CIPFA agrees with the descriptions of information selection in Section 2, both as they apply to GPFs and other GPFs.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFs; and,
- (c) Between different reports within GPFs?

If not, how would you modify the description(s)?

CIPFA agrees with the descriptions of information location

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFs?

If not, how would you modify the description(s)?

CIPFA agrees with the descriptions of information organization.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

CIPFA considers that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFs.

Drafting comments and suggestions

1 Comment on Para 1.3

This paragraph explains that displayed information ... *is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables or graphs.*

Borders, tables and graphs are not presentation techniques. They are more in the nature of design elements or information presentation templates. A possible reformulation would be:

Displayed information is presented prominently, using appropriate document structure and design elements, including clear labels, use of borders and other graphical separators, tables or graphs.

2 Comment on Para 1.8

This paragraph explains that ... *decisions on the selection, location and organization of information are made in response to the needs of users for information about economic or other phenomena.*

However, standard setters such as IPSASB cannot guarantee that they have correctly assessed the more general needs of users. Similar limitations will apply to preparers when considering the needs of users of specific GPFs.

Given this, we suggest that this sentence should refer to 'perceived', or 'assessed' needs.

3 Comment on Para 2.4

This paragraph lists other matters in respect of which ...*the financial statements may ... provide information that assists users ...*

We agree with the inclusion of each of the matters listed, which are in line with the information identified as supporting accountability and decision making in Chapter 2 of the Conceptual Framework.

We also suggest it would be helpful to add a reference to propriety and governance. In our view these are aspects of *information about the entity's management of the resources entrusted to it* as described at paragraph 2.8 of Chapter 2, and we also consider it to affect the assessment of [c]*omplying with ... authority regulating the ... use of resources* per paragraph 2.11 of Chapter 2. Many disclosures in financial statements and other reports relate to these, including disclosures on related parties and on remuneration of persons in governance positions.

4 Comment on Para 2.4(b)

This sub-paragraph reflects on *how well* a public sector entity has met its financial objectives. This is a somewhat informal framing, and it would be clearer and more helpful to reflect on 'how effectively' or 'to what extent' the entity has met its objectives.

5 Comment on Para 2.5

This paragraph explains that:

For other GPFRs the objectives of financial reporting, applied to the area covered by a particular report, guide detailed information selection decisions in order to satisfy the user needs addressed by a particular report.

The repetition of 'particular' is unnecessary and unclear. We suggest that the first instance of 'particular' is deleted.

6 Comment on Para 2.9

The last sentence of this paragraph is not very clear and we are not sure that it adds significantly to what is already explained in the previous sentence.

7 Comment on Para 4.9(a)

We suggest that 'related' can be deleted, as it is implicit in the fact that the 'related impact' in (a) is part of a list of relationships.

8 General comment on the use of the terms 'GFPRs' and 'reports' (and in particular paragraphs 1.9, 1.10, 2.2)

The ED contains a number of references to 'GFPRs' – ie General Purpose Financial Reports containing multiple 'reports'.

We understand what is meant in each case, but the wording implies that a single report contains multiple reports. This wording seems clumsy and potentially confusing, especially for IPSAS users who are not English speakers. It would be helpful if the wording was reworked to more clearly distinguish the overarching reporting and the component reports, perhaps by referring to the overarching groups of reports as 'reporting.'

As noted in para 1.9, this wording is also used in the Chapter 1 of the framework; it may also be helpful to make similar clarifying changes to Chapter 1.

**9 General comment on the interaction between presentation and the Qualitative Characteristics
(and in particular paragraphs 2.10, 3.1)**

Paragraphs 2.10 and 3.1 read somewhat oddly. Some of our panel members suggested that timeliness is insufficiently connected to presentation to warrant inclusion at 2.10; most of the points made in 2.10 relate to the necessary characteristics of information in GPFRs rather than the presentation of that information. Similarly at 3.1 the location of information might be considered to have no effect on its verifiability.

Presentation is an information provision process, a communication process.

We agree that it needs to be considered in the context of all of the qualitative characteristics of financial reporting. However, we suggest that it will support different characteristics in different ways, and that it would be helpful to be clearer about this, to avoid concerns such as those expressed above.

To the extent to which presentation involves the selection of content, Relevance and Verifiability are significant considerations, taken together with the other QCs.

To the extent that presentation is intended to enhance communication, it mainly impacts upon QCs which encompass an aspect of communication or interpretation of information. Which is to say, Understandability, Faithful Representation and Comparability.

If these points are made clearer, then it would be possible to delete some of the material in 2.10 and 3.1, mainly emphasising that the information in GPFRs must reflect an appropriate balance of the QCs.

**10 General comment on the use of the term 'face' or 'on the face of'
(and specific references in paras 4.8 and 4.10)**

References to display 'on the face of' a financial statement are confusing. The text appears to be referring to items which are displayed rather than disclosed, and if so, the term 'display' should be sufficient of itself. If the terminology 'on the face of' is retained, some explanatory context would be helpful.