



Stephenie Fox  
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International Public Sector Accounting Standards Board  
International Federation of Accountants  
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Dear Stephenie

**Re: Exposure Draft (ED) 47 *Financial Statement Discussion and Analysis***

1. The Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to comment on the above exposure draft. We commend you on a well written paper.
2. Whilst we have some sympathy with the alternative view expressed in this ED we acknowledge that it may not be possible to introduce prospective information at this time. However, we hope that the area is kept under review so that it may be standardised as practice in the future.
3. Our responses to the Specific Matters for Comment are set out in the attached Appendix. We would draw your attention in particular to our comments to SMCs 3 and 5. If you require any further information please contact me or Joanna Spencer ([j.spencer@frc.org.uk](mailto:j.spencer@frc.org.uk)) or telephone +44 (0) 20 7492 2428.

Yours sincerely

**Melanie McLaren**

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*Specific Matter for Comment 1*

Do you agree that the material presented in this Exposure Draft should be developed as an IPSAS, with the same level of authority as the accrual based IPSASs, which applies to all entities that prepare financial statements in accordance with IPSASs?

Yes. We consider that in order for financial statements to be as useful as possible for users the financial statement discussion and analysis must be mandatory because it provides a great deal more information than just the financial statements.

However, it is imperative that such an IPSAS must be a high quality, principle-based document.

*Specific Matter for Comment 2*

Do you agree that IPSAS 1 should be amended to clearly indicate that financial statement discussion and analysis is not a component of the financial statements?

Yes. We agree that IPSAS 1 *Presentation of Financial Statements* will need amending to indicate that the financial statement discussion and analysis is not a component of the financial statements.

However, we further suggest that it should be made clear that this section may or may not be audited and further, that preparers be required to make a statement as to whether the financial statement discussion and analysis has been audited.

*Specific Matter for Comment 3*

Is the scope of financial statement discussion and analysis clearly defined so as to distinguish it from other issues being addressed by the IPSASB (e.g., financial statements, service performance reporting, reporting on the long-term sustainability of public finances)?

No. We do not consider that the scope clearly articulates that the information to be provided in the financial statement discussion and analysis is different from that when reporting service performance information, or reporting on long-term fiscal sustainability.

We suggest that the scope could be more clearly defined if paragraph 3 was amended to read (new text underlined):

This Standard applies only to financial statement discussion and analysis. It does not apply to other information included in public documents issued in conjunction with the financial statements such as information on service performance.

*Specific Matter for Comment 4*

Is the required content for financial statement discussion and analysis appropriate?

Yes. We agree that the required content for financial statement discussion and analysis is appropriate.

*Specific Matter for Comment 5*

Do you agree with the transitional provisions and effective date?

No. We do not agree with the effective date paragraph 35 and are puzzled by its requirements. We do however agree with the transitional provisions.

*Re effective date*

Firstly, we do not agree that entities should have to apply IPSAS 24 *Presentation of Budget Information in Financial Statements* at the same time. Our reasoning is that it is not mandatory to provide budgetary information and IPSAS 24 is only mandatory if such information is presented...

We note that there is an inconsistency between paragraphs 2 and 3 of IPSAS 24. Paragraph 2 states: "An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard" – therefore implying the Standard is mandatory. However, paragraph 3 states: "This Standard applies to public sector entities, other than Government Business Enterprises, which are required or elect to make their approved budget(s) publically available" – implying the Standard is not mandatory unless required by the relevant jurisdiction requirements. We suggest that this might be amended through an annual improvement.

Secondly, the effective date paragraph seems to imply that unless budgetary information is included, the financial statement discussion and analysis may not be complete – is this the intention of the IPSASB?

And thirdly, if it is the intention that IPSAS 24 is mandatory, then with the current wording a preparer would only have to wait until the application date to avoid providing budget information.

*Specific Matter for Comment 6*

Is the Implementation Guidance useful to understanding the requirements of the proposed IPSAS?

We agree that the Implementation Guidance is useful and aids in understanding the requirements of the ED.

*Specific Matter for Comment 7*

Is the Illustrative Example a useful way of illustrating the requirements of the proposed IPSAS?

Yes. We agree that an Illustrative Example is useful.

We question, however, whether all the material in the Illustrative Example is relevant. In our view, the financial statement discussion and analysis should address the financial affairs and management of the government: it is not the place for a review of how the government has managed the country or the economy (except to the limited extent that the performance of the national economy impacts on the finances of the government).

An example that deals with a lower level of government might be more helpful: in particular, it would provide a more comprehensive illustration of the requirements of the standard as the limitations referred to in the footnote on page 33 would not apply.