

UNITED NATIONS SYSTEM



SYSTEME DES NATIONS UNIES

Chief Executives Board  
for Coordination

Conseil des chefs de secrétariat  
des organismes des Nations Unies  
pour la coordination

**SUBMISSION: Conceptual Framework Exposure Draft 4: *Presentation in General Purpose Financial Reports***

15 August 2013

Ms. Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto Ontario Canada M5V 3H2

Dear Stephenie,

**Conceptual Framework Exposure Draft 4**

1 Thank you for the opportunity to comment on Conceptual Framework Exposure Draft 4 (CF-ED4 or Exposure Draft), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*.

**United Nations System Task Force on Accounting Standards**

2 The United Nations System Task Force on Accounting Standards (Task Force) appreciates the work that the IPSASB is carrying out in developing accounting standards for public sector entities, including international organizations such as those making up the United Nations system. The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations. The comments below represent the views of Members of the Task Force. The individual organizations that provided comments on this submission and concurred with its submission to the IPSASB are listed in Appendix 1. Where an individual organization disagreed with a particular recommendation but agreed to the

recommendation going forward to the IPSASB, this has been noted against the individual responses in Appendix 2.

### **General Comments**

3 We support IPSASB's efforts in developing the Conceptual Framework, which establishes parameters for financial reporting under IPSAS and clarifies concepts not previously explicitly covered by the Standards.

4 The position of the Task Force on IPSASB's role in regulating content and format of non-financial information reported in the GPFRs remains unchanged as previously discussed in the Task Force's submission on the Consultation Paper on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (CF-CP4 or Consultation Paper) provided to the IPSASB in May 2012 as well as comments on CF-ED1 submitted in 2011. IPSAS Board can recommend but should not prescribe the content or format of non-financial information to be reported by public sector entities. In case of the UN system organizations, scope and presentation parameters for non-financial information reported in financial statements and other financial reports are determined based on requirements of governing bodies. This is also true for majority of other public sector organizations.

5 It was noted that the overall structure of the Exposure Draft has been notably streamlined as compared to the previously issued Consultation Paper, which was achieved by reducing repetitive cross referencing between ideas and concepts presented in the CF-CP4 as well as by excluding three presentation concepts and some of the controversial descriptions – for example, distinction between “core” and “supporting” information in the CF-CP4. Preparers of the GPFRs are also likely to benefit from an expanded guidance on presentation of the financial statements. At the same time, the Task Force is of the view that presentation concepts applicable to other GPFRs were outlined in very broad terms and were not always supported by robust discussions of practical application of the proposed approaches or an indication of benefits of introducing / complying with the proposed concepts to users and preparers of the GPFRs.

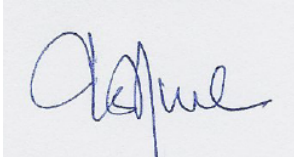
6 The Task Force also observed that each section of the CF-ED4 reviewed proposed requirements for the financial statements and other GPFRs separately. It is not clear from the discussion where the financial statement discussion and analysis, which is expected to be included in the same GPFR as the financial statements, falls within the context of the CF-ED4 for those entities that prepare the discussion and analysis following recommendations of the IPSASB's recently issued Recommended Practice Guideline 2.

## Specific Matters for Comments

6 Our detailed comments on the specific matters for comment identified in CF-ED4 are attached as Appendix 2.

7 Should you have any queries on our comments, please contact Ms. Dinara Alieva, Financial Analyst, System-wide IPSAS Project Team at [alievad@un.org](mailto:alievad@un.org).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chandramouli Ramanathan', is displayed within a light gray rectangular box.

Chandramouli Ramanathan

Deputy Controller, United Nations &  
Chair, Task Force on Accounting Standards

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## **APPENDIX 1: UNITED NATIONS SYSTEM TASK FORCE ON ACCOUNTING STANDARDS**

Task Force Members from the following organizations reviewed this submission and concurred with its contents.

<b>Organisation</b>	<b>Agree (Disagree)</b>
1. FAO	Agree
2. IAEA	Agree
3. ICAO	Agree
4. ILO	Agree
5. IMO	Agree
6. ISA	Agree
7. ITU	Agree
8. PAHO	Agree
9. UN	Agree
10. UNAIDS	Agree
11. UNDP	Agree
12. UNESCO	Agree
13. UNFPA	Agree
14. UNHCR	Agree
15. UNICEF	Agree
16. UNIDO	Agree
17. UNOPS	Agree
18. UNRWA	Agree
19. UPU	Agree
20. WFP	Agree
21. WHO	Agree
22. WIPO	Agree
23. WMO	Agree
24. WTO (Tourism)	Agree
25. UNWomen	Agree

## **APPENDIX 2: CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS (CF-ED4 or Exposure Draft)**

In response to the IPSASB's request for comments on these Specific Matters please find below comments of the Task Force:

### **Specific Matter for Comment 1**

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

#### **Response:**

The Task Force has no objections against proposed descriptions of “presentation”, “display” and “disclosure”. It was noted that description of “presentation” previously proposed by CF-CP4 was amended in CF-ED4 in line with the comments provided by the Task Force on the Consultation Paper in May 2012. The Task Force is of the view that statement in para. 1.5 of the CF-ED4 on criteria for displaying or disclosing information should be revised. It currently reads: “Information is either displayed or disclosed in GPFRs”. However other sections of the CF-ED4 which discuss display and disclosure of information state that disclosed information complements and “makes displayed information more useful by providing detail that will help users to understand the displayed information” (para. 1.4). It is common that information is displayed and disclosed (for example as a disaggregation of displayed information) in the same GPFR, hence the statement implying mutual exclusion between display and disclosure is not appropriate in this context. In addition, the reporting entity might decide to display certain information in financial statements in compliance with specific IPSAS while disclosing the same information in other GPFR depending on needs of the users of a particular report. The Task Force therefore suggests that this sentence be amended.

It was also noted that while the terms “displayed information” and “disclosed information” are introduced in Section 1 of the CF-ED4, the definition that for financial statements, displayed information is presented on the face of the statement whereas disclosures are included in the notes, is included much later in the document - in Section 3 (para. 3.9). While it is clear that Section 3 discusses location of information and is expected to address all matters related to location, it might be useful also to include the definition(s) earlier in the document to streamline the discussion.

### **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?

#### **Response:**

The Task Force agrees with the identification of three presentation decisions, including selection, location and organization of information in the GPFRs.

### **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?

#### **Response:**

As mentioned in the general comments above, the discussion in the CF-ED4 on presentation decisions in general and the proposed approach to making presentation decisions in particular were outlined in general terms. Para. 1.9 of the CF-ED 4 states that “The objectives of financial reporting, applied to the area covered by a particular report, will guide presentation decisions for that report”. As this concept is described only in theory, it is not clear if (and how) the proposed approach is different from the traditional approach used by reporting entities in making decisions on presentation of information and if (and how) entities are likely to enhance quality of information for users of their GPFRs by following the approach proposed in the Exposure Draft. The CF-ED4 also does not provide guidance on how presentation decisions made by reporting entities using the proposed approach should be coordinated with presentation requirements promulgated by IPSAS 1 and other IPSASs. The Task Force is of the view that this area of the CF-ED4 should be supplemented by further analysis, including elements of practical guidance on application of the proposed approach. This analysis can also cover the relationship between the approach proposed by the CF-ED4 and the requirements of individual IPSASs.

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

**Response:**

The Task Force notes the description of information selection in Section 2 of the CF-ED4. The section on selection of information for financial statements includes a marginally expanded list of user needs while section on selection decisions for other GPFRs offers a theoretical discussion.

It was also noted that the CF-ED4 states that users of financial statements should be able to use information reported by the entity to assess “whether the entity has acquired resources economically, and used them efficiently and effectively to achieve its service delivery objectives” (para. 2.3(b)). This is a very broad concept and is likely to require reporting entities to include information which is not traditionally presented in the financial statements. Previously issued IPSASB’s Conceptual Framework pronouncements (draft and final) stated that this kind of information will be reported in the GPFRs, but not in the financial statements specifically. It would be useful if the Board clarified what kind of information is expected to be presented in the financial statements to meet this particular need of users.

**Specific Matter for Comment 5**

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

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

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

**Response:**

The Task Force notes general overview of information location in Section 3 of the CF-ED4, including location in the financial statements, in other GPFRs and between different reports within GPFRs. It is observed that materiality is mentioned in para. 3.5 as “an important factor for preparers when making certain types of display decisions” while allocating information to the financial statements.

**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 GPFRs?

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

**Response:**

The Task Force has no objections against description of information organization in Section 4 of the CF-ED4. It was noted that Section 4 contains some examples of types of relationships between information included in different GPFs or in different components/parts within a GPF. This Section also includes expanded guidance on organization of information within the financial statements.

**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?

**Response:**

The Task Force is of the view that CF-ED4 would benefit from inclusion of practical examples, brief analysis of differences between traditionally used and newly proposed approaches for presentation of information in GPFs and possibly an implementation guide which would highlight benefits of complying with the proposed concepts and practical advice on how such compliance can be achieved. Perhaps additional analysis could be included as supplementary discussion in the CF-ED4. Please refer to general comments and responses to specific matters for comment above for details on specific parts of the CF-ED4 which should be further strengthened.

The Task Force finds it difficult to commit to decisions about some of the proposed approaches which are described in very general terms. It would be helpful if the IPSASB could expand the high level discussion to include practical examples and review benefits arising from compliance with each proposed approach. This discussion could be based on studies/research undertaken to assess a magnitude of improvement in the quality of GPFs' presentation if the proposed approaches are followed, possibly carried out in countries which adopted similar Conceptual Frameworks in the past. Any change in reporting financial information brings with it implementation costs for a reporting entity, especially if it calls for an additional analysis and/or an expanded scope. In order to support such a change, the reporting entities need to have a clear understanding of risks, costs and benefits associated with implementing a new approach.