

By e-mail
Stephanie Fox
Technical Director
International Public Sector Accounting Standards Board
IFAC

Our ref: TECH-CDR-1132

20 July 2012

Dear Ms Fox

IPSASB: Financial Statement Discussion and Analysis (Exposure Draft 47)

ACCA (The Association of Chartered Certified Accountants) welcomes the opportunity to comment on the proposed international accounting standard – financial statement discussion and analysis.

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. A significant proportion of our members work within public sector and therefore this consultation is highly relevant to them.

Overall, we are broadly supportive of the introduction of the accounting standard 'financial statement discussion and analysis'. We believe that it will help to shine a new light on the financial information presented by public entities for a wide range of users and promote the harmonisation of reporting across the public sector. However, while transparency and accountability will be improved it will be important to highlight in the proposed standard that information should be reported objectively so as to avoid bias. There is evidence from other sectors that discussion and analysis has at times led to self-promotion and padding e.g. reporting only positive service performance and outcomes.

Our responses to specific matters for comment are set out below.

Reponses to specific questions

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?

At a time when public entities are receiving criticism for poor financial information and a lack of transparency we believe that the introduction of the standard 'financial statement discussion and analysis' will help to stem these criticisms. At the moment we have no meaningful comparisons between different countries and across differing economic systems as there is no robust evidence base. Therefore, we agree that the ED should be developed into an IPSAS standard as it is more likely that it will be adopted by public entities and will help drive improvements in financial information.

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 should be amended as set out in the consultation.

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)?

In our view there is an overlap between the ED and other areas of reporting that IPSASB is seeking to address, such as service performance reporting. However, if these areas are published as supporting guidance and best practice the ED will serve to reinforce them. This will also require the proposed standard and guidance to be appropriately cross-referenced.

Specific Matter for Comment 4:

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

Yes, we agree that the required content is appropriate and consistent with reporting in similar sectors i.e. the charitable sector. We also agree that reporting on risk and uncertainties should go beyond a public entity making a statement confirming that the major risks to which the organisation has been exposed have been reviewed and systems or procedures have been established to manage those risks. However, in our view the current ED underestimates the difficulties that could be encountered by public entities reporting on significant risks which are the result of a government led policy initiative gone wrong or where reporting risks are not deemed to be in the public interest. It would be helpful if the proposed standard could provide further guidance for public entities on addressing these types of issue.

Specific Matter for Comment 5:

Do you agree with the transitional provisions?

Yes, we agree with the transitional provisions.

Specific Matter for Comment 6:

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

Yes, the examples are useful as practical guidance. We would also agree that forward looking information statements should not be mandatory in the discussion and analysis section of the financial statements. There are other avenues for this information to be reported outside of the financial reporting process and these should be encouraged.

Specific Matter for Comment 7:

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

Yes, as above. However, the illustrative example does not make clear who in the public entity is taking ownership for the discussion and analysis. The origin of discussion and analysis would aid accountability, particularly where there has been a change on executive roles in a year.

Also, a more liberal use of footnotes in the exemplar would reinforce the objectivity of the evidence base and allow the user to better assess the accuracy of interpretation in the commentary.

We hope you find the above useful. If you would like to discuss any of the above further please contact Gillian Fawcett (Head of Public Sector) on 02070595674 or e-mail: gillian.fawcett@accaglobal.com

A handwritten signature in black ink, appearing to read 'G. Fawcett', written in a cursive style.

Gillian Fawcett
Head of Public Sector