



24 Cathedral Road / Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 20 320500
Fax / Ffacs: 029 20 320600
Email / Epost: wales@wao.gov.uk
www.wao.gov.uk

Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto
Ontario M5V3H2
Canada

Date 29 May 2012
Our ref 0529.mju.IPSASB.
Fox
Pages 1 of 2

Dear Stephenie Fox,

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

The Auditor General for Wales welcomes the opportunity to comment on the proposals in this Consultation Paper. This response has been prepared on behalf of the Auditor General by the Wales Audit Office.

Background

The Auditor General, and his appointed auditors, is responsible for audits of the Welsh devolved public sector, which includes:

- the Welsh Government;
- Assembly Government sponsored and other related bodies;
- local government bodies in Wales; and
- local health bodies in Wales.

Summary view

We welcome IPSASB's development of the principles that will inform the presentation of information in public sector financial reporting. In our experience, this is the first attempt by any financial reporting standard setter to establish such principles.

However we consider that aspects of the current proposals are over complicated and also too detailed for a conceptual framework, which, as the name suggests, should address basic concepts underlying presentation in financial reporting.

Our responses to the Specific Matters for Comment will be found in appendix 1.

I hope that you find these comments and our detailed submission as appended useful. If you have any queries regarding our response, please contact Iolo Llewelyn of our Technical Group at e-mail: iolo.llewelyn@wao.gov.uk or telephone: 02920 320674.

Yours sincerely



Mike Usher
Group Director – Technical

Appendix 1

Specific matters for comment

Specific matters for comment	Response
Specific Matter for Comment 1 (See paragraphs 2.1 to 2.18)	
With respect to the descriptions of “presentation”, “display”, “disclosure”, “core information”, and “supporting information”, and the proposed relationships between these terms:	
(a) Do you agree that the proposed descriptions and relationships are appropriate and adequate?	No. We consider that the distinction between “display” of core information and “disclosure” of supporting information is unnecessary and serves no useful purpose: the term “presentation” would better address the reporting of both core and supporting information.
(b) Do you agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?	<p>We agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?</p> <p>We agree that it is useful to differentiate between “core” and “supporting” information.</p> <p>For financial statements, the proposal in paragraph 2.7 that core information relates to the information reported on the face of the statements while supporting information is reported in the notes to the statements is consistent with current approaches.</p> <p>However the framework needs to clearly distinguish between the status of the two categories of information. Is the relative status distinguished solely by location of the information, or does it impact on their qualitative characteristics?</p> <p>While Para 2.9 states that all core information must be presented to achieve the qualitative characteristics, but no mention is made of supporting information. For the avoidance of doubt, the framework should clarify that the qualitative characteristics apply equally to core</p>

	<p>and supporting information. If IPSASB considers that fair presentation can be achieved without disclosure of all the supporting information required by standards, this should be explicitly stated.</p> <p>Codification by international standards of general purpose financial reports ,other than financial statements, are new developments, and the proposal to differentiate between “cores” and “supporting” information is a useful contribution to improving the quality and consistency of such reports.</p> <p>Although in Paragraph 1.9 the CP touches on the impact of new technology on presentation of general purpose information, this is not considered further. Certain new technologies (e.g. XBRL) could impact significantly on the potential location of supporting information. We consider therefore that the potential impact of new technology should be considered further by IPSASB.</p>
<p>Specific Matter for Comment 2 (See paragraphs 3.1 to 3.12) With respect to the IPSASB’s approach to presentation of information:</p>	
<p>(a) Do you agree with the development of presentation concepts that can be adopted for the more comprehensive scope of GPFRs including, but not restricted to, financial statements?</p>	<p>Yes.</p>
<p>(b) Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?</p>	<p>Yes.</p>
<p>Specific Matter for Comment 3 (See paragraphs 4.1 to 4.5) This CP discusses the importance of developing presentation objectives as part of standard setting.</p>	
<p>(a) Do you agree that presentation</p>	<p>Yes</p>

objectives should be developed?	
(b) If so, in your view, should they be developed at a standards level, or as part of the Conceptual Framework?	They should be developed at standard level.

Specific Matter for Comment 4 (See paragraphs 6.1 to 6.27) This CP proposes three presentation concepts. Please provide your views on these concepts, in particular whether	
(a) Any of these concepts should be excluded from the Conceptual Framework; and	No
(b) The description of each concept could be improved and, if so, indicate how	We agree with the summary descriptions. However the CP contains far too much detail for a conceptual framework.

<p>Specific Matter for Comment 5 (See paragraphs 6.1 to 6.27) In addition to the three concepts proposed in Section 6, please provide your views on:</p>	
<p>(a) Whether there are further concepts that should be included in the Conceptual Framework; and</p>	<p>None of concepts specifically relate to the avoidance of unnecessary detail in general purpose financial reports.</p> <p>In our response to the ED on phase 1 of the CF, we expressed the view that materiality should be treated as an entity specific qualitative characteristic of 'relevance' rather than as a constraint as was proposed in the ED.</p> <p>Establishing materiality as a QC would militate against the risk of excessive detail.</p> <p>However we understand that the IPSASB has confirmed its view that materiality is a constraint.</p>
<p>(b) What those further concepts should be.</p>	<p>In light of the above, we consider that a further concept should be developed relating to the appropriateness of the extent of detail that should be disclosed in financial reports.</p>

<p>Specific Matter for Comment 6 (See paragraphs 6.12, 6.17, 6.24, and 6.27) Each presentation concept refers to the possibility of developing criteria to determine the presentation techniques to be used in setting accounting standards. Please provide:</p>	
<p>(a) Your views on whether it would be useful and workable for the IPSASB to apply such techniques; and</p>	<p>It will be inevitable that presentation techniques will need to be considered by IPSASB when developing standards based on the conceptual framework. However, as with all other aspects of the framework the presentation techniques outlined in the CP should be at a conceptual level and not delve into the detail.</p>
<p>(b) Any suggestions you have for developing these techniques.</p>	<p>We do not have any specific suggestions, but in general consider that any presentation techniques employed should be set at as high a level as possible consistent with ensuring minimum acceptable standards of presentation. We do not therefore consider that these need to be developed further.</p>