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CANADA

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Submitted electronically

Dear Stephenie Fox  
**IPSASB Exposure Draft CF-ED3**

**Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements**

The Auditor General for Wales welcomes the opportunity to comment on this IPSASB Exposure Draft. This response has been prepared on behalf of the Auditor General by the Wales Audit Office.

The Auditor General, and the auditors he appoints, are responsible for audits of the Welsh devolved public sector, which includes:

- The Welsh Government;
- Welsh Government sponsored and other related bodies;
- Local government bodies in Wales;
- Local health bodies in Wales; and
- Certain publicly owned companies.

We are fully supportive of the development by IPSASB of a conceptual framework to underpin the development of a comprehensive and high quality suite of financial reporting standards for the public sector.


We welcome the next stage of the development by IPSASB of its conceptual framework, including the statement in Paragraph 1.1 that the Exposure Draft proposes measurement bases to be used only in general purpose financial statements, before addressing the other aspects of financial reporting (such as prospective financial information) that are covered in the conceptual framework.

Overall, we approve of the Board's efforts to include a complete range of measurement bases and to identify factors that are relevant in selecting an appropriate measurement base. However we consider that the Exposure Draft could be made more concise and less discursive, particularly in relation to section 4 'Selection of Measurement Bases and Measurement Models'. While we agree with the content, we consider that this section is too detailed for a conceptual framework. The two measurement models (fair value and deprival value) would be better located in specific standards; section 4 of the document should therefore be removed.

We set out in Appendix 1 our response to the specific matters for comment.

I hope that you find our submission appended to this letter useful. If you have any queries regarding our response, please contact my colleague Iolo Llewelyn (e-mail: [iolo.llewelyn@wao.gov.uk](mailto:iolo.llewelyn@wao.gov.uk) or telephone: 07766 505189).

Yours sincerely,



**Mike Usher**  
**Group Director – Technical**

## Appendix 1: Response to Consultation Questions

Question	Response
<p>1. Do you agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting?</p> <p>If you think that there should be a measurement objective please indicate what this measurement objective should be and give your reasons.</p>	<p>We agree that the selection of a measurement base should be based on the extent to which that base meets the overall objectives of financial reporting.</p> <p>However, we consider that a ‘measurement objective’ as we understand it i.e. an overall statement in the Framework setting out what selecting a specific measurement base aims to achieve will not unduly restrict the choice of measurement base.</p> <p>A suitable measurement objective could be ‘to select the measurement base which, having regard to the desired qualitative characteristics (QCs) of information included in the GPFRs of public sector entities and the cost of measurement, provides the most useful information for accountability and decision making purposes’.</p>
<p>2. Do you agree that the current value measurement bases for assets that have been identified in section 3? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?</p>	<p>We agree that the range of current value measurement bases identified in section 3 is complete, balanced and fair.</p>
<p>3. Do you agree with the approaches proposed in section 4 for the application of:</p> <p>(a) The fair value measurement model to</p>	<p>We agree in principle with the content of section 4 relating to the fair value and deprival value models as these are generally consistent with guidance issued</p>

Question	Response
<p>estimate the price at which a transaction to sell an asset would take place in an active, open and orderly market at the measurement date under current market conditions. If not, please give your reasons; and</p> <p>(b) The deprival value model to select or confirm the use of a current measurement basis for operational assets. If not, please give your reasons</p>	<p>by other standard setters.</p> <p>As stated in our covering letter, we would however question whether this level of detail is necessary in the Conceptual Framework. We consider that the inclusion of a measurement objective would be sufficient content for a conceptual framework and would inform the selection of suitable measurement bases/models for individual standards.</p>
<p>4. Do you agree with the proposed measurement bases for liabilities in Section 5?</p> <p>If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?</p>	<p>We agree with the proposed measurement bases for liabilities and have no additional bases that we would include in the Framework.</p>