



Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto
Ontario M5V 3H2
CANADA

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

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Dear Ms Fox,

IPSASB Exposure Draft CF-ED4:

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 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 fully support IPSASB's aim to produce a conceptual framework covering general purpose financial reporting which will underpin the development of a comprehensive and high quality suite of financial reporting standards for the public sector.

We welcome the improvements made to the Exposure Draft compared to the Consultation Paper, in particular, the removal of some of the detail that was

included in the preceding document and the increase in the depth of coverage relating specifically to financial statements.

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

I hope that you find our submission useful. If you have any queries regarding our response, please contact my colleague Iolo Llewelyn (e-mail: iolo.llewelyn@wao.gov.uk or telephone: +44 (0)7766 505189).

Yours sincerely,

MIKE USHER
Group Director – Technical

Appendix 1: Response to Consultation Questions

Question	Response
1. Do you agree with the proposed descriptions of “ <i>presentation</i> ”, “ <i>display</i> ” and “ <i>disclosure</i> ” and the relationships between them in section 1? If not, how would you modify them?	<p>We agree with the proposed definition of ‘<i>presentation</i>’ in so far as ‘<i>presentation is the selection, location and organisation of information in GPFRs</i>’. We also agree with the final sentence of paragraph 1.2, that ‘<i>presentation aims to provide information....while taking into account the constraints.</i>’</p> <p>However, we remain of the opinion that using the words ‘<i>display</i>’ and ‘<i>disclosure</i>’ is not appropriate, particularly for financial statements. This is because both words have generally accepted meanings other than those that the Conceptual Framework seeks to attribute to them.</p> <p>We note, per Basis of Conclusions paragraph BC9, that IPSASB has now removed the terms ‘core’ and ‘supporting’, in order to avoid the implication that there could be a hierarchy of information, as there is no intention to create such a hierarchy. However, we consider that the words ‘<i>display</i>’ and ‘<i>disclosure</i>’ could still imply that information considered for ‘<i>display</i>’ is more important than that ‘<i>disclosed</i>’.</p> <p>It is clear in practice that the ED makes a qualitative distinction between information that is ‘<i>displayed</i>’ and that which is merely ‘<i>disclosed</i>’, with the former having a more enhanced status than the latter (see paragraphs 1.3-1.4, 3.8-3.10, 4.11 for examples of this).</p>

Question	Response
	<p>Our view is that the words 'core' and 'supporting' are in fact appropriate for use in both financial statements and GPFRs more widely. 'Core' could be replaced with 'primary' which (in our experience) is more frequently used to describe information on the face of financial statements.</p> <p>If such an approach is adopted, we consider that the Framework should explicitly state that 'core' (or 'primary') information is not necessarily more important than 'supporting' information, as the combination of both types of information contribute to meeting the overall aim of presentation as described in paragraph 1.2.</p>
2(a). Do you agree with the identification of three presentation decisions (selection, location and organisation) in section 1? If not, how would you modify the identification of presentation decisions?	We agree with the identification of the three presentation decisions in section 1 (selection, location and organisation of information). (However, see also our response to Question 5.)
3. Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?	<p>We agree with the proposed approach to making presentation decisions in Section 1.</p> <p>In particular, we consider that the level of detail included in this ED is more appropriate for a conceptual framework than the level of detail included in the Consultation Paper.</p> <p>The ED also helpfully avoids restating narrative that can be found in Chapter 1 of the Conceptual Framework relating to qualitative characteristics and constraints.</p>

Question	Response
<p>4. Do you agree with the description of information selection in Section 2: (a) In the financial statements; and (b) Within other GPFRs?</p> <p>If not, how would you modify the descriptions?</p>	<p>We agree with the description of information selection in Section 2 for both financial statements and within other GPFRs.</p>
<p>5. Do you agree with the description of information location in Section 3: (a) In the financial statements; and (b) In other GPFRs?</p> <p>If not, how would you modify the descriptions?</p>	<p>We agree with the description of information location in Section 3 for both financial statements and within other GPFRs.</p> <p>However, please see our comments in question 1 above where we consider that '<i>display</i>' and '<i>disclose</i>' should be replaced with '<i>core</i>' (or '<i>primary</i>') and '<i>supporting</i>' information.</p> <p>It is also arguable that '<i>information location</i>' is a sub set of '<i>information organization</i>'. IPSASB should therefore consider combining these sections.</p>
<p>6Do you agree with the description of information organisation in Section 4: (a) In the financial statements; and (b)In other GPFRs?</p> <p>If not, how would you modify the descriptions?</p>	<p>We agree with the description of information organisation in Section 4 for both financial statements and within other GPFRs.</p> <p>However, please see our comments in question 1 above where we consider that '<i>display</i>' and '<i>disclose</i>' should be replaced with '<i>core</i>' (or '<i>primary</i>') and '<i>supporting</i>' information.</p>

Question	Response
7. Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?	<p>We strongly agree with IPSASB's view highlighted in paragraphs BC22 and 23 that specification of financial statements is a standards-level issue and therefore the Framework should avoid over-specification.</p> <p>We consider therefore that the ED has the appropriate level of detail required for a Conceptual Framework and, by avoiding including too much detail, is 'future-proofed' against changes in reporting.</p>

ENDS