



The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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Per e-mail stepheniefox@ifac.org

10 June 2011

Dear Stephenie,

**COMMENTS ON PHASE 4 OF THE IPSASB'S CONCEPTUAL FRAMEWORK PROJECT:
PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS**

We welcome the opportunity to provide comments on Phases 4 of the IPSASB's conceptual framework project. Overall, we are supportive of the project as we believe it makes significant strides in strengthening transparency and accountability in public sector financial reporting. Our responses to the specific matters for comment are outlined in Annexure A of this letter.

This comment letter has been prepared by the Secretariat of the ASB and does not necessarily reflect the views of the ASB Board. In formulating the comments outlined in this letter, the Secretariat has undertaken a limited consultation with its constituents in the South African public sector. This limited consultation included auditors, preparers, users of the financial statements and professional bodies.

As acknowledged in the various documents issued for comment, it may be necessary for the IPSASB to issue a complete Framework for comment once the various phases are complete. Based on the final outcome of the Framework, the views expressed in this letter may be subject to change.

Please feel free to contact me should you require clarification on any of our comments.

Yours sincerely

Erna Swart, Chief Executive Officer

Board Members: Mr V Jack (Chairperson), Ms CJ Kujenga, Mr K Kumar, Mr T Makwetu, Mr F Nomvalo, Mr G Paul,
Ms R Ranchod, Mr B Colyvas, Ms R Rasikhinya, Ms T Coetzer,
Chief Executive Officer: Ms E Swart



ANNEXURE A – RESPONSES TO SPECIFIC MATTERS FOR COMMENT

A. Specific Matter for Comment 1

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?

(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?

Response

(a) We broadly support the description of presentation in that it includes display and disclosure. We do not believe that it is necessary to define core and supporting information in relation to display and disclosure. While we understand the intention of describing core and supporting information in relation to presentation and display, we are of the view that the use of the words “core” and “supporting” implies that some information is more important because it is displayed rather than disclosed.

Consequently, it may more appropriate at a conceptual level to outline that the information that is displayed is broadly regarded as the information that forms the building blocks for reporting in a particular information area and, that these building blocks are central to communicating key messages about specifically identified objectives and information needs – without specifically labelling such information. As an example, a parallel could be drawn between these building blocks and the elements that are recognised in the statements of financial position and performance. The Framework should however note that the identification of these “building blocks” for each information area will be considered at a Standards-level.

(b) We agree that this identification should be made at a Standards-level, subject to our comments noted in (a) above.

B. Specific Matter for Comment 2

With respect to the IPSASB's approach to presentation of information:

(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?

(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?

Response

(a) We support the development of presentation concepts that can be applied broadly to the presentation of information in general purpose financial reports. We view this work as being critical to the advancement of reporting outside the financial statements.

(b) We agree broadly with the approach of basing presentation objectives on users' information needs in a particular area. As indicated in our response in (a) above, we also support the application of presentation objectives. We do however not understand the second step in the approach which is “the application of the qualitative characteristics to presentation decisions”. While we understand that applying the qualitative characteristics to the presentation decisions may have been useful in formulating the presentation concepts, we do not see this as a discrete step in the

presentation approach. As such, we believe that this is already sufficiently addressed and the qualitative characteristics already included in the presentation concepts. Some of the text in section 4 of the Consultation Paper could however usefully be included in the Basis for Conclusions and the table on page 21 may be useful to include as an Annexure to Conceptual Framework.

C. Specific Matter for Comment 3

This CP discusses the importance of developing presentation objectives as part of standard setting.

(a) Do you agree that presentation 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?

Response

- (a) We agree that the development of presentation objectives for an information area will be critical in (a) identifying what information will be required to meet users' needs and (b) ensuring that the best or most appropriate presentation is selected for such information to ensure that users' needs are met.
- (b) As the presentation objectives will be linked to users' needs for a particular information area, these presentation objectives should be developed at a Standards-level. These presentation objectives will (or should) however be closely linked to the broad information needs of users and the objectives of financial reporting described in Phase I of the Framework.

D. Specific Matter for Comment 4

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

(b) The description of each concept could be improved and, if so, indicate how.

Response

- (a) We support the three presentation concepts outlined in the Consultation Paper, subject to our comments in (b) below.
- (b) We have the following comments on the descriptions of the presentation concepts:

Concept 1: Select information to meet users needs, satisfies the cost-benefit test, and is sufficiently timely

We are of the view that the presentation concept should be described differently. We propose the following wording: "Select information to meet users' needs, satisfies the ~~cost-benefit test~~ constraints on information, and is sufficiently timely". We are of the view that focusing on cost-benefit considerations in the absence of considering materiality may not ensure that the right information is closed. If it was intended that materiality would be considered in "select the right information" then this needs to be articulated more clearly in the accompanying explanatory material.

We also do not agree with the rationale included in paragraph 6.10 that "...information whose benefits justify the costs is likely to enhance relevance...". Information's relevance is not related to the cost of its preparation. While cost certainly should be considered a constraining factor, we do not believe that it enhances its relevance;

relevance will be linked directly to whether the information provided meets users' needs.

The concept, as currently worded notes that information selected should be sufficiently timely. A possible unintended consequence of this wording is that this may be interpreted as implying that if information is not sufficiently timely, it might not be presented. We suggest that this be clarified in any explanatory guidance developed.

Concept 2: Locate information to meet users' needs

While we agree with the concept, we do not support the opening sentence on paragraph 6.15 which states that: "Information location can provide users with important signals about information's verifiability". It appears that this sentence equates verifiability with assurance. We are of the view that because verifiability is an overriding qualitative characteristic of information, it should be verifiable regardless of its location.

Concept 3: Organize information to make important relationships clear and support comparability

While we agree that one of the objectives of organising information is to make important relationships clear, we believe that organising information can also ensure or enhance faithful representation. For example, decisions about organising assets and liabilities appropriately may ensure that they are not offset against one another, which would ensure faithful representation of the transactions as well as the entity's financial position.

E. 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:

(a) Whether there are further concepts that should be included in the Conceptual Framework; and

(b) What those further concepts should be.

Response to (a) and (b)

We have not identified any additional concepts that should be included in the Framework. We are of the view that the three concepts appropriately address the three presentation objectives of what information should be presented, how the information should be presented and how the information should be organised.

F. 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:

(a) Your views on whether it would be useful and workable for the IPSASB to apply such techniques; and

(b) Any suggestions you have for developing these techniques.

In reviewing the Consultation Paper, we found the presentation techniques useful and believe that they would be useful tools for the IPSASB to use in developing presentation and disclosure requirements when developing specific pronouncements. At present, part (a) only refers to the IPSASB using such techniques in developing the presentation requirements for its pronouncements. We are however of the view that such techniques would be just as

useful for preparers who might need to develop certain disclosure requirements using the Framework in the absence of a particular IPSAS.

We are unsure of what the “criteria” are that the Board envisages developing, nor how they might be applied. As such, it is difficult to comment on whether “criteria” need to be developed. We also believe that the development of criteria may overcomplicate the approach. It is fairly complicated already to understand what the various terms means, i.e. presentation objectives, presentation decisions, presentation concepts and presentation techniques.