

Our Ref: 97/2012

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Ms Stephenie Fox  
Technical director  
International Public Sector Accounting  
Standards Board  
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CANADA

Dear Ms Fox

NAO (Malta) wishes to make the following comments on IPSASB Exposure Draft 47:

**Exposure Draft 47 - Financial Statement Discussion and Analysis**

**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?

Yes, NAO Malta agrees with the above.

Moreover, paragraph 4 of the Exposure Draft states that “this Standard applies to all public sector entities other than Government Business Enterprises.” NAO Malta opines, however, that guidance is also to be provided on whether financial statement discussion and analysis preparation is also to include the results of government business enterprises in cases where consolidation with government business enterprises is carried out.

**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?

NAO Malta agrees with the above. Otherwise, the financial statements of public entities would include an additional component that private sector entities and government business enterprises would not be required to prepare. Moreover, the inclusion of financial statement discussion and analysis as a component of the financial statements would render the preparation of the latter a more complex exercise.

However, NAO opines that the content of the financial statement discussion and analysis is to be reviewed by external auditors for any inconsistencies with the financial statements (as per paragraph BC10 on page 16).

**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)?

Yes, agreed.

**Specific Matter for Comment 4:**

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

Yes, it is appropriate. Moreover, the part on information about the entity's objectives and strategies is to include whether such objectives and strategies are being achieved, and what progress has been made in this regard during the year under review and in the previous year.

NAO Malta also opines that the discussion and analysis would be expanded to include how the reporting of service performance information and of the long-term sustainability of public finances relate to financial statement results.

**Specific Matter for Comment 5:**

Do you agree with the transitional provisions?

Yes, agreed.

**Specific Matter for Comment 6:**

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

Yes, NAO Malta considers the guidance to be useful especially in analysing the public sector entity's financial results, financial position, changes in net equity and cash flows and in establishing variances and trends.

**Specific Matter for Comment 7:**

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

Yes, agreed. However, a separate example could be included to illustrate the analysis of an individual entity and not the whole of government only.

**Additional comment**

Guidance is to be provided regarding the preparers of the financial statement discussion and analysis. Will they be company directors, company financial controllers, or independent accountants/auditors?

**Brian Vella**  
**Assistant Auditor General**