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Our ref KK/288

Contact Katja van der Kuij-Groenberg  
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Dear Ms Fox

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

***Summary Comments***

We appreciate the opportunity to comment on the International Public Sector Accounting Standards Board's ('IPSASB' or the 'Board') Exposure Draft ('ED') entitled *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* (CF-ED4), dated April 2013. We have consulted with, and this letter represents the views of, the KPMG network.

Although we are generally supportive of the draft, we have identified specific matters that we believe merit further consideration. These follow below.

***Overall Comments***

Overall, we agree with the general guidance and approach proposed with respect to presentation in general purpose financial statements.

We note that the scope of the CF-ED4 appears broader compared with other parts of the IPSASB Conceptual Framework. For example, the conceptual framework on elements and recognition focuses on items appearing in financial statements, whereas CF-ED4 considers general purpose financial reports and contemplates reporting beyond the financial statements.

As a result, applying the principles set out in CF-ED4 to non-financial or non-traditional reporting formats would be challenging and we believe that these require further consideration, including, where appropriate, the Board's direction that detail be supplied on specifics in the IPSAS standards themselves (e.g. IPSAS 1 *Presentation of Financial Statements*).

For example:

- How do we make the distinction between display and disclosure for non-financial information or non-traditional reporting formats?
- What is the nature of information about non-financial performance that a public sector entity should provide to users in order to meet the objectives of financial reporting in respect of “other GPFs”?

Our comments on the specific matters for comment are set out below.

### ***Specific Matter for Comment 1***

*Do you agree with the proposed descriptions of “presentation”, “display” and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?*

We agree with the description of presentation.

We believe that it is important that the descriptions of display and disclosures are adequately distinguished. Two key features distinguishing these terms are prominence and level of detail. The key point missing from each description is the location. That is, displayed information appears on the face of the financial statements, or other primary statements in the case of other general purpose financial reports.

We note that the description of disclosed information states that disclosed information makes displayed information more useful [CF-ED4, 1.4]. The distinction between displayed information and disclosed information is important, given that the ED states that disclosure is not a substitute for display [CF-ED4, 1.5].

We suggest that the relationship between display and disclosure be clarified. There are a number of current disclosure requirements that state that information can be presented either on the face of the financial statements or in the notes, and we would encourage the detail of displayed and disclosed requirements at the IPSAS Standard level.

As CF-ED4 is currently drafted, it appears that disclosure items are precluded from being presented on the face of the financial statements. If this is the intent, then we suggest that this be clarified. In general, we agree with this approach on the basis that the information displayed on the face of the financial statements should be that necessary to communicate the key messages to users and therefore should avoid excess detail. However, as noted, this approach would result in a change from current practice; so it is important to be clear about this point.

We suggest location be included more clearly as a key feature in the descriptions of display and disclosure. For example:

Displayed information is presented prominently on the face of the financial statements, or other primary statements or reports, using appropriate...

We note that the distinction between display and disclosure is relatively clear for traditional financial statements. However, it is more difficult where less traditional or less formal primary statements or reports are prepared.

We note that the relationship between recognition and display is discussed in Section 3. However, we believe that it would be useful to clarify the relationship between “display” and “recognition” as part of the definition or discussion on display earlier in the document. For example, “The information displayed on the face of the financial statements will provide a structured overview of items recognised as part of the reporting entity’s financial position, financial performance and cash flows”.

***Specific Matter for Comment 2***

*Do you agree with the identification of three presentation decisions (selection, location and organization) in Section 1? If not, how would you modify the identification of presentation decisions?*

We agree with the identification of the three presentation decisions.

***Specific Matter for Comment 3***

*Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?*

The principle that guides such decisions is the users’ information needs and we agree that this principle should drive presentation decisions.

***Specific Matter for Comment 4***

*Do you agree with the description of information selection in Section 2:*

*(a) In the financial statements; and*

*(b) Within other GPFRs?*

*If not, how would you modify the description(s)?*

We agree with the description of information selection in the financial statements.

The description in respect of “other GPFRs” (para 2.5) is very brief. We understand that it is difficult, given the broad range of subject matters that could be covered in other GPFRs.

However, we suggest that this discussion be expanded to focus on the key principles that should drive information selection for these other GPFRs.

For example, user needs would generally require selection of information that enables users to:

- understand why the reported subject matter is important, and what the objectives of reporting such information are;
- understand the activities reported and the key components of such activities;
- understand an entity's objectives in undertaking a certain activity and a measure of the level of achievement;
- assess how such achievement compares with any projected levels of achievement;
- assess how well an entity has met its non-financial objectives.

We agree with the discussion on selection decisions for detailed information within a GPFR [CF-ED4, 2.6 – 2.10]. In our experience, reporting has generally become more voluminous and more complex. These features often make it more difficult for users to identify the more important information that is essential to understanding and appreciating all of the information provided, and therefore may impede the ability to make decisions or hold entities to account.

Establishing principles for standard setters, preparers and auditors to consider in making decisions about the level of detail to be included in GPFR is welcomed.

***Specific Matter for Comment 5***

*Do you agree with the description of information location in Section 3:*

*(a) In the financial statements;*

*(b) In other GPFRs; and*

*(c) Between different reports within GPFRs?*

*If not, how would you modify the description(s)?*

We agree with the description of information location as set out in Section 3.

We do not believe that location has an impact on information's verifiability, understandability or representational faithfulness [CF-ED4, 3.1]. For example, information is assessed by considering user needs, not where that information happens to be located within a GPFR. Relevance will be a factor in determining whether information is included in a GPFR. We would expect that the more relevant the information is, the more prominently it would be presented. The key QCs that location may impact are understandability and comparability.



***Specific Matter for Comment 6***

*Do you agree with the description of information organization in Section 4:*

*(a) In the financial statements; and*

*(b) In other GPFs?*

*If not, how would you modify the description(s)?*

We agree with the description of information organization as set out in Section 4.

***Specific Matter for Comment 7***

*Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?*

We believe that CF-ED4 contains sufficient detail on the concepts applicable to presentation of financial statements.

However, we believe that the concepts are not as fully developed as they need to be in respect of non-financial information.

Please contact Archie Johnston (email: [agjohnston@kpmg.ca](mailto:agjohnston@kpmg.ca) or by phone at +1 (0) 604 527 3757), Peter Greenwood (email: [pgreenwood@kpmg.ca](mailto:pgreenwood@kpmg.ca) or by phone at +1 (0) 604 691 3187, Mark Jerome (email: [mjerome@kpmg.com](mailto:mjerome@kpmg.com) or by phone at +856 (0) 20 7808 3399) or Katja van der Kuij-Groenberg (email: [Katja.VanDerKuij-Groenberg@kpmgifrg.com](mailto:Katja.VanDerKuij-Groenberg@kpmgifrg.com) or by phone at +44(0) 20 7694 8871) if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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