

Finance

Comptroller's Division

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July 31, 2012

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario
M5V 3H2

Dear Sir/Madam:

Re: Exposure Draft (ED) 47 – Financial Statement Discussion and Analysis

Thank you for the opportunity to comment on ED 47 – Financial Statement Discussion and Analysis. The ED proposes guidance on the manner in which financial statement discussion and analysis should be prepared and presented. Financial statement discussion and analysis is an explanation of the significant items, transactions, and events presented in an entity's financial statements and the trends, conditions, and factors that influenced them. Financial statement discussion and analysis is not intended to include information on service performance and long term sustainability.

If approved by IPSASB, the ED will be issued as an IPSAS and will require all public sector entities, except Government Business Enterprises, to issue financial statement discussion and analysis with their general purpose financial statements (financial statements). The Province of Manitoba would have preferred that guidance on financial statement discussion and analysis be issued as non-authoritative standard, similar to PSAB's Statement of Recommended Practice (SORP). Since the guidance will be issued as an IPSAS, the Province is concerned that its financial statement discussion and analysis will be come under the same assurance standards as the financial statements. IPSASB considered this issue and has taken measures by amending IPSAS 1. The amendment states that, while financial statement discussion and analysis is required to be issued with all financial statements, the financial statement discussion and analysis is not a component of the financial statements. The Province hopes this measure will be sufficient to clarify to the audit community that the contents of the financial statement discussion and analysis are not subject to audit requirements. However, the audit community will at times interpret differently and/or audit to a higher standard, thus potentially imposing audit requirements on the FSD&A.

The Province agrees with the general prescriptive contents of the ED. See the Province's responses to the attached "Specific Matters for Comment".

We would like to again thank IPSASB for the opportunity to comment on this EP.

Yours truly,

"original signed by"

Betty-Anne Pratt, CA
Provincial Comptroller
Province of Manitoba

Specific Matters 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?**

The Province would have preferred if the guidance on financial statement discussion and analysis be issued as non-authoritative standard. The issuance as an IPSAS creates concern that the financial statement discussion and analysis will be subject to the same assurance standards as the financial statements. The Province does appreciate the amendment of IPSAS 1 to clarify that the financial statement discussion and analysis is not a component of the financial statements. However, the ED requires all public sector entities to include a financial statement discussion and analysis with their financial statements. The Province would prefer IPSASB to remove this requirement. The issuance of a financial statement analysis and discussion should be left to the discretion of the public sector entity.

- 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?**

Since the guidance will be issued as an IPSAS, the Province views the amendment to IPSAS 1 as a necessary requirement in the standard. Without the amendment the Province would be concerned that our financial statement discussion and analysis would be subject to the same assurance standards as our financial statements.

- 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)?**

The standard states that the IPSAS will only apply to financial statement analysis and discussion and does not apply to other information issued with the financial statements. The Province is of the view that the scope of the IPSAS should be amended to specifically exclude information on service performance and long term sustainability. The Province recommends that these reports be specifically excluded given IPSASB's recent Consultation Paper "*Conceptual Framework for General Purpose Financial Reporting*".

- 4) Is the required content for financial statement discussion and analysis appropriate?**

The Province agrees with the requirement to disclose that the financial statement discussion and analysis is not part of the financial statements, but that they should be read together.

The Province of Manitoba agrees that the financial statement discussion and analysis should possess the qualitative characteristics of general purpose financial reports identified in Appendix A in IPSAS 1. The Province also agrees with the minimum required content. The financial statement discussion and analysis should include an overview of the entity, information about its objectives and strategies, analysis of variances and trends in the financial statements and a discussion of the risks and uncertainties.

- 5) Do you agree with the transitional provisions?**

The Province agrees with the transitional provisions. The effective date for application of the standard should allow for an appropriate amount of lead time for public sector entities to modify their financial statement discussion and analysis in compliance with the new IPSAS.

- 6) Is the Implementation Guidance useful to understanding the requirements of the proposed IPSAS?**

The Province found the Implementation Guidance to be very helpful in understanding the proposed requirements of the proposed IPSAS.

- 7) Is the Illustrative Example a useful way of illustrating the requirements of the proposed IPSAS?**

The Province found the Illustrative Example to be very helpful in illustrating the requirements of the proposed IPSAS.