

IPSASB Consultation Paper

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

# **response to consultation**

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

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Submitted electronically

Dear Stephenie Fox

***IPSASB Consultation Paper - Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports***

CIPFA is pleased to present its comments on this Exposure Draft, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

As noted in successive responses, CIPFA strongly supports IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific IPSASs. Furthermore, CIPFA agrees that it is important to broaden the developing Conceptual Framework to cover matters which go beyond a focus on financial statements.

**General Comments**

In developing responses to other parts of the IPSASB Conceptual Framework, and in providing similar comments on frameworks developed by other national and international standard setters, CIPFA has been continually aware of the interaction between different parts of frameworks. It is often very difficult to separately articulate one conceptual area which informs standard setting decisions without discussing other conceptual areas which impact upon the same decisions.

It is particularly difficult to separately discuss the beneficial and effective presentation of information without considering the other desirable characteristics of that information. However, if such a separation is not achieved, it can be very difficult to avoid overcomplicating the discussion.

Much of the previous thinking on presentation has been grounded in financial statements, and unless this is discussed in terms of high level concepts it can be very difficult to avoid over specificity. There is also a significant risk that the discussion of presentation be overly concerned with resolving the tension between presentation objectives and the other desirable characteristics of financial reporting information.

In CIPFA's view at a conceptual level it is essential that

- The discussion of presentation in the Conceptual Framework should be brief and high level, and principally focussed on understandability.
- While a general reference should be made to the other qualitative characteristics and constraints, and the need to resolve the tension between these, any detailed discussion of this should be carried out at standards level.

CIPFA recognises that during standard setting it will always be necessary to make presentation decisions which draw a balance between understandability and the other qualitative characteristics and constraints. All of these are essential considerations when making specific presentation decisions. It is also necessary for information which is presented to be relevant. However, we do not consider that it is helpful to comment on these in any depth in this section of the Conceptual Framework and it would be difficult to do this in a way which improved the readability and understandability of the Framework.

For the purposes of the Conceptual Framework it would be sufficient to recognise that there is a tension between the different qualitative characteristics and constraints, and that this needs to be resolved when developing individual standards. Considerations relating to relevance will, in addition, be emphasised both when determining that a subject matter is an appropriate topic for discussion in standards, and when determining the detailed content of standards.

CIPFA supports a number of aspects of the Consultation Paper which have the effect of keeping the conceptual framework discussion brief and understandable. However, in line with our comments above, some of the discussion is overly detailed, and would be better discussed in more concrete terms during the development of specific standards.

### **Specific Matters for Comment**

CIPFA responses to the Specific Matters on which IPSASB would particularly value comment are set out in an attached annex.

I hope this is a helpful contribution to the development of the Board's guidance in this area.

Yours sincerely

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**Specific Matters for Comment***Specific Matter for Comment 1 (See paragraphs 2.1 to 2.18)*

*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?*

## 1 (a)

CIPFA agrees with the proposed description of presentation.

CIPFA also agrees in general terms with the description of core information and supporting information. In order to aid understandability, some information will need to be presented more prominently while other information will be presented less prominently. CIPFA agrees with the observation in the Consultation Paper that the distinction between core information and supporting information does not reflect a simple distinction between information which is more or less important. The word 'core' might nevertheless be misinterpreted as implying that the supporting information is not important, and the Board may wish to consider using a different term, such as 'primary' information.

However, we do not consider the discussion of display and disclosure to be sufficiently clear or sufficiently helpful to warrant inclusion in the framework, especially as there may be confusion with other informal uses of the same terminology.

In CIPFA's view it would be difficult to develop separate notions of display and disclosure which are more understandable than simple discussions of more or less prominent presentation, while at the same time being sufficiently flexible to systematically and usefully distinguish between the wide variety of placement, highlighting and cross-referencing approaches which might be used.

CIPFA therefore does not agree with the proposed descriptions of display and disclosure.

## 1 (b)

CIPFA strongly agrees that identification of core/primary and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework.

*Specific Matter for Comment 2 (See paragraphs 3.1 to 3.12)*

*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 for GPFs 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?*

2 (a)

CIPFA agrees that it is helpful to develop presentation concepts. Furthermore, while standard setting has previously concentrated on financial statements, in the light of the wider scope of the IPSASB Conceptual Framework it would be most helpful if such presentation concepts can be relevant both to the financial statements and to other reporting that may be developed in line with the broader scope of the Conceptual Framework.

2 (b)

(i) CIPFA agrees that presentation objectives should reflect user needs.

(ii) CIPFA agrees with the discussion of the consideration of QCs in presentation decisions. However, we would note that we do not find the more detailed follow-up material in *section 5 Table 1* helpful, and we disagreed with several of the explanations therein, and particularly the parts relating to timeliness.

Rather than provide corrections or alternative drafting, we suggest that the framework should not include drafting at this level of detail.

(iii) On balance, CIPFA agrees that setting out presentation concepts in the Conceptual Framework is a helpful way of informing the development of presentation objectives and the consideration of QCs in presentation decisions during the standard setting process.

We also wonder if 'concepts' is the best term for the material at 2b(iii): the proposals seem to be more in the nature of overarching principles or objectives which inform the development of the standards level objectives outlined at 2b(i).

*Specific Matter for Comment 3 (See paragraphs 4.1 to 4.5)*

*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?*

3 (a)

CIPFA agrees that it will be helpful to develop presentation objectives for use during standards development.

3 (b)

In CIPFA's view this should be done at 'standards level' during the development of standards, having regard to the specific matters under consideration, while also having regard to the incremental effect of changes arising from revised or new standards on the overall package of financial reporting.

*Specific Matter for Comment 4 (See paragraphs 6.1 to 6.27)*

*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, how.*

4 (a)

CIPFA broadly supports each of the presentation concepts, which respectively inform the detail of presentation, the overall structure of presentation, and the relatedness of information presented both within and across reports, statements, sections and other divisions of financial reporting material.

4 (b)

In line with other comments, it would be helpful if the description of each concept

- Were more explicitly related to the understandability of financial reporting
- Were linked in less detail to discussions of application of the other qualitative characteristics and constraints

*Specific Matter for Comment 5 (See paragraphs 6.1 to 6.27)*

*Given the three concepts proposed, 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.*

5 (a), (b)

In line with our other comments the Presentation part of the Conceptual Framework should seek to maximise understandability, which in practice during the standard setting process will need to be balanced against the other qualitative characteristics and constraints.

A key element of understandability relates to managing the tension between providing too little information to inform understanding, and providing too much information, with the effect of obscuring key messages. This is touched upon in some discussions in the Consultation Paper, and the rationale behind the core information and supporting information split substantially reflects an intention to avoid information overload in the core information.

It would be helpful if the possible conflict between information overload and over-summarisation were more clearly explained. This could either be incorporated into the discussion of the three concepts currently proposed, or through an additional presentation concept relating to achieving a balance between information overload and over-summarisation.

*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.*

6 (a)

In CIPFA's view it would not at this stage be useful and workable for the IPSASB to develop criteria to determine the presentation techniques to be used in setting accounting standards.

6(b)

However, there may be a benefit in keeping an overall record of observations on the rationale for choices of presentation technique in standard setting. As the Board develops new standards and maintains older standards this record could be reviewed to see if high level principles can be identified which could usefully be added to the conceptual framework.