

## CONCEPTUAL FRAMEWORK: COORDINATOR'S REPORT

### Objectives of Session(s)

1. The objectives of this session are to:
  - **Highlight** issues related to the project timetable including key pressure points and whether an umbrella Exposure Draft should be issued;
  - **Highlight** some preliminary points relating to the Exposure Draft, *Key Characteristics of the Public Sector with Potential Implications for the Public Sector*;
  - **Note** the publication of the International Integrated Reporting Committee's Discussion Paper, *Towards Integrated Reporting: Communicating Value in the 21<sup>st</sup> Century*; and
  - **Note** the composition of the Standard Setters Advisory Panel for the Conceptual Framework (unchanged from that noted at the September 2011 meeting).

### Project Timetable and Umbrella Exposure Draft

2. The current project timetable is attached at Appendix A. With the exception of a minor editorial revision, this is the version that was circulated on the intranet on October 14th, 2011.
3. As stated when the post-Toronto revision was circulated this revised plan reflects the expectation that CF-CP4 will be approved at the December meeting. In that case it will probably be published in January 2012. Even with a 4 month consultation it seems unlikely that a review of responses could commence in time to allow a staff collation and analysis of responses to be brought to the Board prior to September 2012 for the Consultation Paper and prior to December 2013 for the ED.
4. The current plan does not include provision for re-exposure of the whole Framework (an 'umbrella ED') prior to finalization. As noted in the Coordinator's Report for the September 2011 meeting some respondents to CF-ED1, CF-CP2 and CF-CP3 indicated that they favour the exposure of an umbrella ED prior to finalization of the Framework. Staff acknowledges the rationale for an umbrella ED: it enables constituents (a) to consider the consistency of linkages between the four phases and (b) to form a view as to whether overall coverage is complete. On balance, Staff does not favor issuance of an umbrella ED, because, based on the experience of CF-ED1, it will largely lead to a repetition of views made at CP and ED stage. Staff thinks that at some point it will be important to communicate intentions regarding an umbrella ED to constituents.
5. Publication of an umbrella ED would have significant implications for the timetable. Based on current projections an umbrella ED would be issued in April or May 2014 and, with a 6 month consultation, finalization of the Framework would be pushed out until mid-2015.

6. The current timelines will be reconsidered following decisions on CF–CP4 at this meeting. As stated in previous memoranda the Coordinator considers that the trade-off between timeliness and quality needs to be evaluated on an ongoing basis. In accordance with previous practice the project timetable will be re-circulated following this meeting.

#### Action Required

Members are asked to **note** the current project timetable, to **consider** whether the timetable should be modified and to **consider** further whether there should be an umbrella ED.

#### ED, Key Characteristics of the Public Sector with a Potential Impact on Financial Reporting

7. The ED, *Key Characteristics of the Public Sector with a Potential Impact on Financial Reporting* was issued in April 2011 with a consultation period that expired at the end of August 2011. As at November 28<sup>th</sup> 2011 38 responses had been received. These responses are available on the IFAC website. A full analysis of responses will be brought to the March 2011 meeting. Some preliminary observations on the linkages with the Phase 1: Scope component will be made towards the end of Agenda Item 3B.

#### Action Required

Members are asked to **note** the availability of the responses to the ED, *Key Characteristics of the Public Sector with a Potential Impact on Financial Reporting and* that a full analysis of responses will be brought to the March 2011 meeting.

#### Integrated Reporting

8. At the September meeting Staff was asked to consider the implications of the work of the International Integrated Reporting Committee (IIRC). In mid-September September 2011, the IIRC issued a Discussion Paper (DP), *Towards Integrated Reporting: Communicating Value in the 21<sup>st</sup> Century*. The DP is available on the IIRC's website ([www.theiirc.org](http://www.theiirc.org)). The DP is from a private sector perspective and proposes explicitly that the initial emphasis should be on the major corporate area. It focuses on a perceived inadequacy of corporate reporting for the 21st century. In the view of the IIRC corporate reports are already long and, in many cases, are getting longer. Length and excessive detail can obscure critical information rather than aid understanding. In the DP integrated reporting is defined as follows:

*Integrated Reporting brings together the material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization*

*demonstrates stewardship and how it creates value, now and in the future. Integrated Reporting combines the most material elements of information currently reported in separate reporting strands (financial, management commentary, governance and remuneration and sustainability in a coherent whole and importantly:*

- shows the connectivity between them; and*
- explains how they affect the ability of an organization to create and sustain value in the short, medium and long term.*

9. Staff notes that the submission of the South African Accounting Standards Board to the IIRC highlighted some of the initiatives of the IPSASB and urged the IIRC to liaise with the IPSASB over the possible implications for the public sector, in particular the Conceptual Framework and the project on long-term fiscal sustainability. Staff will contact the IIRC Secretariat following the Brasilia meeting to update them on IPSASB developments.
10. In the view of the Coordinator the longer-term implications of integrated reporting are highly significant for both the IPSASB and the Conceptual Framework. The IIRC sees the integrated report as becoming an organization's primary report, replacing rather than adding to existing requirements, and incorporating all reporting that is relevant to an organization's activities, thereby providing users with a more succinct, holistic understanding of the various activities of an organization. Therefore potentially the IIRC proposals blur the distinction between the financial statements and the "more comprehensive aspects of financial reporting." However, the Coordinator considers that the approach in the Conceptual Framework and particularly the IPSASB's acknowledgement of the importance of a prospective perspective to financial reporting position the IPSASB quite well to respond to the challenges of the IIRC.

#### **Action Required**

Members are asked to:

- **Note** the issuance by the International Integrated Reporting Committee of the Discussion Paper, and consider the implications for the Conceptual Framework and the broader activities of the IPSASB.

#### **Standard Setters Advisory Panel for Conceptual Framework**

12. There have been no changes in the membership of the Standard Setters Advisory Panel since the last meeting. The current composition is given at Appendix B.

**Action Required**

Members are asked to:

- **Note** the current composition of the Standard Setters Advisory Panel for the Conceptual Framework.

**Appendix A**

**Conceptual Framework (Accrual Basis) Schedule 2010–2013**

	<b>Phase 1: Objectives, QCs, Scope &amp; Reporting Entity</b>	<b>Phase 2: Elements and Recognition</b>	<b>Phase 3: Measurement</b>	<b>Phase 4: Presentation</b>	<b>Key Characteristics of Public Sector</b>
Dec 2010	<i>ED Issued</i>	<i>CP Issued</i>	<i>CP Issued</i>		<i>Made available on web as Staff Draft</i>
Mar 2011				<b>CP Discussed</b>	<i>ED Approved (Issued in April)</i>
Jun 2011				<b>CP Discussed</b>	
Sep 2011	<b>RR Directions to Staff</b>	<b>RR Directions to Staff</b>	<b>RR Directions to Staff</b>	<b>CP Discussed</b>	
Dec 2011	<b>RR Directions to Staff</b>	<b>RR Further directions to Staff</b>	<b>RR Further directions to Staff</b>	<b>CP approve and issue January 2012</b>	
Mar 2012	<b>FC Review and directions to Staff</b>	<b>ED Discuss</b>	<b>ED Discuss</b>		<b>RR Directions to Staff</b>
Jun 2012	<b>FC Review and directions to Staff</b>	<b>ED Approve Issue July</b>	<b>ED Approve Issue July</b>		<b>RR Further directions to Staff</b>
Sep 2012	<b>FC Provisionally approve subject to CIA</b>			<b>RR Directions to Staff</b>	<i>Finalize and approve</i>
Dec 2012				<b>ED Discuss</b>	
Mar 2013	<b>CIA Phases 2-4 Directions to Staff if necessary</b>	<b>RR Initial directions to Staff</b>	<b>RR Initial directions to Staff</b>	<b>ED Discuss, &amp; approve Issue April 2013</b>	
June 2013	<b>FC Approve</b>	<b>RR Further directions to Staff</b>	<b>RR Further directions to Staff</b>		
Sept 2013	<i>Incorporate in Final Framework</i>	<b>FC Approve</b>	<b>FC Approve</b>		
Dec 2013		<i>Incorporate in Final Framework</i>	<i>Incorporate in Final Framework</i>	<b>RR Directions to Staff</b>	<i>Incorporate in Final Framework or elsewhere in literature</i>
Mar 2014				<b>FC Approve and incorporate in Final Framework</b>	
May 2014	I	S	S	U	E

Key: ED: Exposure Draft, DI: Discussion of Issues, RR: Review of Responses, FC: Final Chapter, CP: Consultation Paper, CIA: Consider Issues Arising from Other Phases of Project

*Assumptions*

1. There was an exposure period of six months for the Phase 1 ED and the Phase 2 (Elements & Recognition) and Phase 3 (Measurement) Consultation Papers – comment period ended mid- June, 2011.
2. ‘The Key Characteristics of the Public Sector’ was made available as a staff draft with the Phase 1 ED and the Phase 2 and Phase 3 Consultation Papers in December 2010. It was approved in March 2011 as a Board document and issued in April 2011 with a consultation expiry date of August 31<sup>st</sup>. A decision will be made in the future as to whether it is included in the completed Framework or inserted elsewhere in the Handbook.
3. There will be a six months exposure period for Phase 2 and Phase 3 EDs – comment period ending late January 2013.
4. In September 2012 the chapters on the Phase 1 topics (Objectives, QCs, Scope and Reporting Entity) will be completed, subject to a consideration of issues arising from Phases 2 to 4 in March 2013.
5. Further discussions will be held at forthcoming meetings on whether to issue an umbrella ED covering all four phases, and, if so, in what format.
6. There will be an exposure period of four months for the Phase 4 (Presentation & Disclosure) Consultation Paper (comment period ending late May 2012) and for the Phase 4 ED (comment period ending late May 2013).
7. Projection is to issue finalized Framework in early 2014.

**Appendix B**

**Membership of Standard Setters Advisory Panel for Conceptual Framework**

- Australian Accounting Standards Board): Kevin Stevenson
- Conseil de Normalisation des Comptes Publics: France: Delphine Moretti
- Federal Accounting Standards Advisory Board: Wendy Payne
- Financial Reporting Standards Board of New Zealand: Kevin Simpkins
- Governmental Accounting Standards Board : Bob Attmore
- International Accounting Standards Board: Ian Mackintosh
- Public Sector Accounting Board of Canada: Nigel Bellchamber
- South African Accounting Standards Board: Rick Cottrell
- United Kingdom Accounting Standards Board: Andrew Lennard