

# International Public Sector Accounting Standards Board

Conceptual Framework Phase 1

Agenda item 2A

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## Objectives of Session & Process/Sequence

1. Approve for Issue Conceptual Framework Phase 1
  - Review Final MU Draft (Agenda item 2A.3)
    - Consider responses to out-of-session review (Oct) (Agenda items 2A.2 &2A.5)
    - Placement of key characteristics as preface or companion piece
2. Removal of IPSAS 1, Appendix A
  - Consider issues, process
3. Other matters/issues consequent on issue of Framework

## Background – due process

- Project Brief approved (Nov. 06) & work commences (07)
  - 2008: Phase 1 Consultation Paper
    - Issued September 2008. Responses by March 31, 2009 (57 responses)
  - 2010: Phase 1 Exposure Draft
    - Issued December 2010. Responses June 15, 2011 (55 responses)
  - 2012: IPSASB agrees Chap. 1-4: contents (March) & to issue (Sept.)
    - October review Chap1- 4 updated for decisions of March 2012
    - Introduction and Preface prepared
      - Introduction based on CF-ED1 & Preface based on Key Characteristics ED.

## Comments from Out of Session Review

- Marked-up draft Framework (2A.3)
  - Based on that circulated to IPSASB for review in October
  - Mark-ups are revisions proposed by respondents
    - Boxed text identifies additional proposals not processed
    - 2A.2 identifies all changes proposed including those not processed and staff views
  - Deal with these amendments & other issues in page by page review
- Pervasive issue - Terminology

# Pervasive Issue

- Pervasive Issue – Terminology

- IPSASs and *non-authoritative guidance* or *other pronouncements* or....

**Staff view**: Reluctant to change at this stage of due process

- Implications- paras 1.2, BC1.1, BC2.24, BC3.33: IPSASs *specify authoritative requirements*.
- Retain sense of *authoritative & non-authoritative?* (use: *RPG-Recommended Practice Guidelines?*)

Definitions: Pronouncement defined variously as official, formal or authoritative announcement or statement. Formal expression of opinion or judgment.

2012 handbook Preface : 3. Pronouncements: IPSASs, RPGs, Studies, Other papers & reports

## Contents Pages (Agenda item 2A.3, page 1)

- - Generally support for restructure of contents pages and shorter titles – **issues:**
    - Chapter 3: *Qualitative Characteristics* or longer title (2A.3, page 1):
      - Qualitative Characteristics of, **and Constraints on**, Information Included in General Purpose Financial Reports?
    - Inclusion of references to Chapters not yet completed?

**Staff view:** shorter title for chapter 3 & refer to chapters still in process as EDs or CPs

## Introduction (pages 2 & 3)

- General support – **issues:**
  - Deletion of section *The Conceptual Framework Chapters 1-4?*
  - Should explanation be extended to reflect that:
    - additional chapters will be added as each phase is completed.

**Staff view:** Retain section 1.4. Additional explanation not necessary.

## Preface (pages 4-10)

- Based on Key Characteristics
  - Revised to “fit” as a Preface
  - Not included in out-of-session review in October 2012
- Issue: include in Framework or as companion piece
- Issue: review of text

**Staff view**: as companion piece because:

- Distracts from Framework
- Designed as a companion piece and works well for that purpose

## Chapter 1- The Role and Authority (pages 11 - 13)

- **Major concern: text**

- Para 1.2 : clarify Framework does not override other pronouncements;
  - implications for paras 1.3, BC1.1 and BC1.2 – highlighted in mark-up

**Staff view:** support changes as clarifying IPSASB's intent re non-authoritative guidance

- Consequential issue: should BC 1.2 be retained?

# Chapter 1- The Role and Authority

## Basis For Conclusions (pages 14 & 15)

- **Major concern:** Para BC 1.3: Relationship of Framework to GBE's
  - Redraft to refer to consolidation of controlled entities
  - Remove reference to IPSASs applying to GBE's
  - Placement in this Chapter questioned & potential unintended interpretation identified

### Staff view:

- Do not refer to controlled entities.
- Retain comment that in some jurisdictions GBEs may apply IPSASs
  - Refers to practice and does not pre-empt the outcome of GBE project
- Remove unintended interpretation and sharpen focus on message IPSASB intended:  
*If GPFs of, or information about, GBEs are prepared in accordance with IPSASs, the Framework applies.*

# Chapter 2: The Objectives of Financial Reporting

(pages 16 - 24)

- Major changes proposed/issues raised - text
  - Para 2.11 – include explanation of liquidity and solvency
  - Para 2.20 – meaning of financial results (from para 2.22)
  - Para 2.31: staff proposed second sentence be rephrased as:
    - *However, it is unlikely that GPFRs will provide all the information users need (BC2.16)*
    - Wording questioned and proposal it be further discussed

**Staff note:** para 2.7, add footnote definition of exchange/non-exchange if Preface removed

## Chapter 2: The Objectives of Financial Reporting

### Basis For Conclusions (pages 25- 31)

- Changes proposed/issues raised

- Sequence of paras BC 2.7 to BC 2.11

- Change sequence of BC 2.7 and BC 2.8

- BC2.10 and BC2.11 moved before BC2.7 (to reflect sequence in BC2.3)

**Staff view** – reluctant to unsettle sequence at this stage.

**(Staff note:** para BC2.15, BC2.18 revise reference to Preface if it is removed)

- Para BC2.17: should observation that TOR has been updated be included?

**Staff view** – useful to users to know that TOR is not an ongoing obstacle.

## Chapter 3 – The Qualitative Characteristics (pages 32- 43)

- Major changes proposed/issues raised - text:
  - Para 3.15: concern the para appears incomplete as result of last sentence  
**Staff view:** staff proposed removal/relocation of this sentence in out-of session review.
  - Para 3.29 – final sentence may imply verifiability is component of *faithful rep.*
    - Similar interpretation possible at paras 3.31, BC3.30, BC 3.31 (now BC3.26, BC3.27)  
**Staff view:** No changes to these paras, but para BC3.24 added to clarify IPSASB view
  - Paras 3.34 & 3.38– redrafting proposed  
**Staff view:** Para 3.34 has been amended to redress overly narrow focus.  
Staff has no objection to additional proposed redrafting but reluctant to change at this stage.

# Chapter 3 – The Qualitative Characteristics

## Basis For Conclusions (pages 44- 53)

- Major changes proposed/issues raised:

(Note: paras deleted to remove unnecessary references to IPSAS 1 Appendix A

Note: para BC3.24 added to clarify IPSASB view re verifiability)

- Para BC3.30- proposal to include reference to non-authoritative guidance or similar term in second sentence

**Staff view:** Given non-authoritative guidance need not be applied, its inclusion does not seem appropriate

## Chapter 4 – Reporting Entity (pages 54- 59)

- **Major changes proposed/issues raised:**
  - Para 4.4: Inclusion of final sentence questioned  
**Staff view:** Retain- IPSASB retained text to link to explanation in ED on group reporting entity
  - Para 4.11: Heading focuses on separate entities, which is not appropriate  
**Staff view:** Staff has amended title
  - Para BC 4.1, 4.2 and 4.7 – Should these be retained in the BC  
**Staff view:** There is a case for their removal. IPSASB included these paras in ED to emphasize and explain matters in text. Staff reluctant to propose their removal at this stage.

## Approval to Issue?

- Other matters re Phase 1 approval?
  - Implications for IPSAS I Appendix A and other actions to follow approval
    - Approval to issue sought

## Approval of Phase 1- consequential changes

- Removal of Appendix A of IPSAS 1- see coordinators report
  - Timing proposed: when Framework issued
- Removal of cross references to Appendix A of IPSAS
  - Timing proposed: when Framework issued
- Other consequential changes
  - Proposals to March meeting 2013

# Conceptual Framework Phase 1

**END**