



**ANALYSIS AND RESPONSES TO VERBAL
COMMENT RECEIVED ON**

**EXPOSURE DRAFT ON IDENTIFYING
PROJECTS TO PRIORITISE ON THE ASB'S
WORK PROGRAMME FOR 1 APRIL 2017 TO 31
MARCH 2020**

(ED 138)



RESPONSES TO THE VERBAL COMMENT RECEIVED ON EXPOSURE DRAFT 138 ON IDENTIFYING PROJECTS TO PRIORITISE ON THE ASB'S WORK PROGRAMME FOR 1 APRIL 2017 T 31 MARCH 2020

The Accounting Standards Board (Board) approved an Exposure Draft of *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2017 to 31 March 2020* in December 2015. A Notice was also published in the Government Gazette on the 18th of December 2015 (Notice 39531). The comment period closed on the 22nd of April 2016.

In addition to the formal comment letters received, ED 138 was discussed with a number of stakeholders at workshops, presentations or face-to-face meetings. The comments raised by stakeholders at those meetings are summarised in this document, and outline the Board's responses thereto.



ANALYSIS OF RESPONSES TO ED 138 IDENTIFYING PROJECTS TO PRIORITISE ON THE ASB'S WORK PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020

The following entities (listed under their relative representative categories) participated in the formal comment process:

No.	Name/Organisation	Preparers	Users	Auditors and Accountants	Other bodies
Formal comment process					
1.	Western Cape IMFO	X			
2.	City of Cape Town	X			
3.	Eastern Cape Provincial Treasury	X			
4.	SAICA webinar for members and non-members				X
5.	Public Entity CFO Forum	X			
6.	Meeting with the National Treasury – Budget Office		X		
7.	Meeting with the National Treasury – Office of the Accountant-General		X		
8.	Roundtable discussions with the Firms and the Auditor-General			X	
9.	Roundtable discussion with municipal preparers	X			
10.	Roundtable discussion with the Provincial Accountants-General	X			
11.	Meeting with SALGA				X
12.	Meeting with Gauteng Legislature	X			
13.	Meeting with Intergovernmental Relations Unit (National Treasury)		X		
		7	3	1	2

COMMENTS ON ED 138 IDENTIFYING PROJECTS TO PRIORITISE ON THE ASB'S WORK PROGRAMME – 1 APRIL 2017 TO 31 MARCH 2020		
No.	Comments	Board's response
GENERAL		
G1.	Roundtable with the firms	
	<p>General support for consultation as it will strengthen the acceptance of the Standards and work of the Board, as well as limit unforeseen issues arising.</p> <p>It was emphasised that the process adopted needs to be adaptable to ensure that the Board is responsive to users' needs.</p>	<p>Support for the consultation is noted.</p> <p>Noted. The need for the process to be adaptable has been acknowledged in the policy on <i>Selecting and Prioritising Projects</i>.</p>
G2.	Gauteng Legislature	
	<p>The financial statements are quite complex and it is unclear whether users of the financial statements are able to understand the information presented to them.</p> <p>It has also been observed that there needs to be better cohesiveness between the various reports, i.e. financial statements, performance information and other reports.</p>	<p>Noted. The project on materiality may assist in reducing the amount of information produced in the financial statements. The project on citizens' reporting may also address the concerns raised.</p>
	<p>It would be useful if a template could be prepared that assists with the preparation of the appropriation statement (i.e. converting accrual based information to cash based information).</p>	<p>Noted. This issue will be discussed with the National Treasury as it may also assist departments once they move to accrual accounting.</p>
	<p>It would be useful if the ASB could take ownership of training/learning on the Standards of GRAP. In particular, it would be useful if the ASB could establish certificate programmes on</p>	<p>Noted. Training and development is within the mandate of the National Treasury. The suggestion will</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>Standards of GRAP.</p> <p>It would also be useful if the ASB could be involved with software developers to ensure that their products are indeed GRAP compliant.</p>	<p>be communicated to them.</p> <p>Some of the software developers regularly attend the Accounting Forum and other engagements to ensure that their products are in line with the Standards.</p>
G3.	Intergovernmental Relations Unit	
	<p>As the intention is to align budget and financial statement formats for local government going forward, the National Treasury needs to know what the final reporting framework will be for the following year by October (November at the latest) of each year. This should be considered in developing the timeframes for issuing Directive 5 and revisions thereto.</p>	<p>Noted. The timeframe for publishing Directive 5 will be amended.</p>
	<p>The ASB should consider whether guidance is needed on the accounting treatment/disclosure of free basic goods and services and revenue foregone for services provided at subsidised amounts. In particular, better information is needed to disclose the extent of free or subsidised goods and services provided by entities so that they can be held accountable.</p>	<p>Noted. This may link directly to the non-exchange revenue project of the IPSASB. Progress on the IPSASB's project will be monitored to assess whether the scope of that project is sufficient and will consult with the National Treasury when necessary.</p>

SPECIFIC MATTERS FOR COMMENT		
1A.	Do you agree that the Board consult on the projects it should prioritise for a period of 3 years? If another period is selected, please indicate reasons why an alternative time horizon should be used.	
1A.1	City of Cape Town	
	A three year time horizon is appropriate. Identifying projects for a three year period also assists entities to identify what resources or expertise may be needed in the future, which allows appropriate planning.	Noted. No further action required.
1A.2	Public Entity CFO Forum	
	In principle agreement that a three year period is appropriate.	Noted. No further action required.
1A.3	IMFO Western Cape	
	Participants supported the three year time horizon.	Noted. No further action required.
1A.4	Provincial Treasury Eastern Cape	
	General support by participants for the three year time horizon.	Noted. No further action required.
1A.5	Roundtable with local government preparers	
	Support expressed for the three year planning horizon as this is consistent with the planning cycles in government.	Noted. No further action required.



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

1A.6	Roundtable discussion with PAGs	
	Support expressed for the three year planning horizon as this is consistent with the planning horizon used in other government organisations.	Noted. No further action required.
1A.7	Discussion with the Office of the Accountant-General	
	Support expressed for the three year planning horizon. It was however noted that with the current budgetary environment, it may be necessary for the Board to evaluate the availability of resources every year when finally approving projects for the next year.	Noted. No further action required. Noted. As the Board will consider detailed project briefs for each of the projects prior to their commencement, the availability of resources will be considered as part of this process.
1A.8	Meeting with the Budget Office	
	Support expressed for the three year planning horizon.	Noted. No further action required.
1A.9	Roundtable discussion with the firms	
	General support for three year period. Reservations expressed about the period of the strategy, which is five years, and the potential mismatch using a three year horizon. Broad acceptance that a three year period is appropriate if there is a degree of flexibility allowed if issues arise so that the Board can respond to stakeholders' needs over time.	Noted. No further action required.



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

1B.	Do you agree with the criteria proposed by the Board in paragraph 12 to evaluate specific projects? Please provide reasons for your view.	
1B.1	City of Cape Town	
	The criteria are appropriate and will assist in evaluating projects.	Noted. No further action required.
1B.2	Public Entity CFO Forum	
	In principle agreement with the criteria.	Noted. No further action required.
1B.3	IMFO Western Cape	
	Participants supported the criteria.	Noted. No further action required.
1B.4	Provincial Treasury Eastern Cape	
	Participants supported the criteria.	Noted. No further action required.
1B.5	Roundtable discussion with local government preparers	
	<p>Broad support for the criteria.</p> <p>It was noted that the Board should give consideration how the criteria will be prioritised in selecting and scheduling projects. For example, if one project is favoured over another, what criteria/weighting will be used in applying the criteria.</p>	<p>Noted. No further action required.</p> <p>The Board agreed that no further criteria or weightings are necessary. Judgement is applied in applying and assessing the criteria proposed.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

1B.6	Roundtable with PAGs	
	<p>Broad support for the criteria.</p> <p>It was noted that the Board should consider developing criteria to prioritise projects.</p>	<p>Noted. No further action required.</p> <p>Noted. The Board did not support identifying additional criteria to prioritise projects. The Board is of the view that the criteria identified should be considered together, and judgement applied in prioritising projects based on all available information.</p>
1B.7	Discussion with the Office of the Accountant-General	
	<p>It was indicated that the indicator on the “Financial management environment” should encompass “reporting fatigue”.</p> <p>It was also noted that the projects should also consider whether any changes are required in legislation or the regulatory environment.</p> <p>It was suggested that the National Treasury should be consulted once the final results of the consultation process are completed. This will ensure that the projects or initiatives suggested by respondents can be discussed and a co-ordinated approach taken to address the issues raised (where appropriate).</p>	<p>Noted. The existence of reform fatigue has been considered by the Board as part of the criterion on the “Financial management environment”.</p> <p>Noted. This is generally considered once development has commenced on the project. The existing legislative environment is however considered in assessing whether to undertake new projects.</p> <p>Noted. A meeting will be scheduled</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

1B.8	Meeting with the Budget Office	
	Broad support for the criteria. It was however noted that the capacity of entities to implement the changes should also be considered in selecting projects (in particular, smaller less capacitated entities).	Noted. No further action required. Noted. This has been considered in selecting and prioritising projects.
1B.9	Roundtable discussion with the firms	
	Broad support for the criteria. Where no guidance exists, any topics suggested by respondents should be analysed in the context of how widespread the issue is and the impact it has on accountability and decision-making. The urgency to resolve issues should be considered in the context of the impact of the issue (or the resolution thereof) on accountability and decision-making.	Noted. No further action required. Noted. The project specific and constraints need to be evaluated together. Noted. All the criteria were considered together in selecting and prioritising projects.
2.	Feedback on local initiatives	
2A.	<i>The Application of Materiality in the Financial Statements</i> The Board believes that guidance on the application of materiality should be prioritised for the period 1 April 2017 to 31 March 2020. Do you agree?	
2A.1	City of Cape Town	
	The development of guidance was supported.	Noted. The Board has prioritised the development of



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

		guidance on materiality for the 2017 period.
2A.2	Public Entity CFO Forum	
	The development of guidance on materiality was supported. It was however observed that a key risk of the project is that auditors will apply different materiality principles.	Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.
2A.3	SALGA	
	<ul style="list-style-type: none"> • There was strong support for the project. • It was noted that the project needs to explain the difference between the materiality applied by preparers in preparing the financial statements and the materiality applied by auditors. • It was noted that this project would assist entities to better apply the Standards, and to avoid applying Standards when they are not relevant to an entity's operations. 	Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.
2A.4	Roundtable discussion with local government preparers	
	<p>The Application of Materiality in the Financial Statements:</p> <ul style="list-style-type: none"> • Strong support was expressed for the project and that it should be prioritised during the 2017-2020 period. • There was support for the project as it would ensure that materiality is not just considered during the audit cycle. • In developing the guidance, it should be clear that there is a difference in considering materiality in preparing the financial statements and materiality related to the correction of misstatements. 	Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<ul style="list-style-type: none"> It was also noted that entities should be allowed to develop their own framework and assess what is material rather than being given particular thresholds to consider. 	
2A.5	Roundtable with PAGs	
	<p>The Application of Materiality in the Financial Statements:</p> <p>There was strong support for the project. It was noted that resolving disagreements with auditors is going to be an issue that needs to be addressed in the project.</p>	Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.
2A.6	Meeting with the Office of the Accountant-General	
	<p>The Application of Materiality in the Financial Statements:</p> <ul style="list-style-type: none"> Support for the development of guidance as this will assist in improving the quality of information provided in the financial statements. It was noted that the new Treasury Regulations will propose that every entity have a Materiality Framework. There is a link between the work on this project and the new proposal. The current proposed effective date of this amendment is 1 April 2017. It was noted that this project should be prioritised for 2017 given the linkages with the new Treasury Regulations. 	Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.
2A.7	Meeting with the Budget Office	
	<p>The Application of Materiality in the Financial Statements:</p> <ul style="list-style-type: none"> There was strong support for the project, and that it should be prioritised for 2017 given the impending changes to the Treasury Regulations on materiality frameworks. 	<p>Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.</p> <p>The Board will liaise with all relevant stakeholders in</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<ul style="list-style-type: none"> • It was noted that this initiative may assist smaller entities to better apply the Standards, which they often find onerous. • It was however noted that there may be specific items which the Budget office may want to see in the financial statements, irrespective of materiality (debtors and creditors as examples). The guidance should therefore cater for specific items that should always be recognised in the financial statements. • It was noted that the National Treasury should propose specific case studies to be included in the material based on its use of the financial statements. 	developing the guidance.
2A.8	Roundtable discussion with the firms	
	<p>The Application of Materiality in the Financial Statements:</p> <ul style="list-style-type: none"> • Support for the development of guidance as this will assist in improving the quality of information provided in the financial statements. • The Board should consider the recently issued Practice Statement issued by the IASB. • It was noted that it needs to be clear that preparers need to take responsibility for applying materiality in preparing their financial statements, rather than it being a focus solely during the audit related to corrections of errors. 	Noted. The Board has prioritised the development of guidance on materiality for the 2017 period.

2B.	<p>Reporting Information to Citizens and Whole of Government Consolidation</p> <p>Based on the criteria identified in paragraph 12, and considering whether the issue is urgent:</p> <p>(i) Should projects be undertaken on developing Reporting Financial Information Citizens?</p> <p>(ii) Should a project be undertaken on Whole-of-Government consolidation? If yes, what issues in particular should this project address?</p>	
2B1.	<p>City of Cape Town</p>	
	<p>Reporting of Financial Information to Citizens</p> <p>It was suggested that the development of such guidance is not needed. It was observed that the annual reports themselves are too complex and do not provide meaningful information to users. The ASB and National Treasury should instead review all the information which is currently required to be disclosed in the annual report, and streamline the requirements to make them more meaningful.</p>	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Whole of government consolidation</p> <p>No specific view expressed on consolidation.</p>	<p>Noted. No further action required.</p>
2B.2	<p>CFO Public Entity Forum</p>	
	<p>Reporting Financial Information to Citizens:</p> <p>It was questioned whether the guide would focus just on financial information. As public sector entities provide goods and services and report on these in their performance information, it may be appropriate to package the information together.</p> <p>It was questioned whether Integrated Reports should be prepared as a means to provide concise information to users about their performance.</p>	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>Whole of government consolidation:</p> <p>Participants questioned whether whole of government consolidation would be useful, and in particular, who would use the information if produced.</p> <p>Participants questioned whether the preparation of consolidated financial statements per cluster would provide more relevant information to users than other forms of consolidation.</p> <p>It was noted that there is often no alignment between the presentation of expenses in the consolidation, and the presentation of expenses in controlling entity's financial statements or other returns.</p>	<p>Some respondents indicated that the information would be useful, particularly in managing fiscal risk.</p> <p>The Board agrees that combining information from entities to report on activities or clusters may be useful. As a result, it has proposed preparing a Standard on how to prepare "combined financial statements" in 2019.</p>
2B.3	Provincial Treasury Western Cape	
	<p>Participants noted that when the project on Reporting Financial Information to Citizens is undertaken by the ASB, the guidance could also be useful to rating agencies.</p>	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Participants proposed that there should be a balance between the new projects and pronouncements that will be developed by the ASB and how the OAG addresses practical challenges and provide comment to preparers to address these challenges.</p>	<p>Noted. This was considered in selecting and prioritising projects for the period 2017-2020.</p>
2B.4	SALGA	
	<p>Reporting Financial Information to Citizens:</p> <ul style="list-style-type: none"> • Support was expressed for the project, but that the project should also produce information 	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>for the local government sector as a whole. As a result, there was also support expressed for the component of the whole of government consolidation project that aims to combine entities' financial statements when control does not exist.</p> <ul style="list-style-type: none"> • It was questioned what format this guidance would take, and whether this type of reporting would be mandatory for entities. 	<p>research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Whole of government consolidation:</p> <p>There was strong support for developing guidance on how to prepare the existing consolidations. It was noted that before moving to other types of consolidation, the current issues with the national and provincial consolidations need to be resolved.</p>	<p>Noted. The Board has prioritised identifying issues that may need to be addressed during the 2017 period.</p>
2B.5	Roundtable discussion with local government preparers	
	<p>Reporting Financial Information to Citizens:</p> <ul style="list-style-type: none"> • Support was expressed for this project in the context of making information more accessible to citizens. • It was however noted that a substantial amount of information is already provided to National Treasury in terms of key indicators. The feasibility of making this information available should also be considered. • Although support was expressed for the project, it was noted that the initial step in the project should be engaging with users to understand their information requirements. 	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Whole of government consolidation:</p> <p>As consolidation issues are less complex at municipalities, there was no strong support for this</p>	<p>Noted. No further action required.</p>

	project.	
2B.6	Roundtable with PAGs	
	<p>Reporting Financial Information to Citizens:</p> <ul style="list-style-type: none"> • Views were expressed by participants that users are likely to be more interested in information on service delivery achievements. • It was however noted that it would be useful to identify users' information needs. • Participants noted that users are likely to want information about what was planned, what was done, and how much did it cost. • It may be useful as part of the project to explore linking information on performance to the financial statements (cost of services) more clearly. • It would be useful to engage with DPME on the need for this information, and how it could be prepared. 	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Whole of government consolidation:</p> <p>There was strong support for developing guidance on how to prepare the existing guidance. It was noted that before moving to other types of consolidation, the current issues with the national and provincial consolidations need to be resolved.</p>	<p>Noted. The Board has prioritised identifying issues with the current consolidation process that may need to be addressed. This will be done during the 2017 period.</p>
2B.7	Meeting with the Office of the Accountant-General	
	<p>Reporting Financial Information to Citizens:</p> <ul style="list-style-type: none"> • There was not a strong level of support for this project. Experiences were shared in trying to 	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As</p>

	<p>do the same for the budget at a local government level, with limited success. This is in part because entities are different, and need to report the information that is relevant to their activities. As such, it was not seen a project the ASB should undertake.</p> <ul style="list-style-type: none"> • This type of reporting could be promoted to entities through the education of councillors and indicating to them what information is important to report to citizens. <p>It was noted that the financial indicators agreed for local government may be useful to highlight as important information for such reporting.</p>	<p>this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Whole of government consolidation:</p> <ul style="list-style-type: none"> • There was strong support for developing guidance on “consolidating” entities where control is not the factor. This is in part based on the recent G20 decision for governments to prepare a consolidated balance sheet. • This would provide guidance for the preparation of a range of financial statements, including one for “RSA Inc”, the GGS, or sector reports. The key issues which would require guidance would be the identification of users and the reporting framework. • One of the key objectives of such guidance should be that the financial statements can be audited using a framework that is acceptable to the auditors for audit purposes. • It was noted that if the project is undertaken, it is key to consult with users such as the SARB and STATS SA as they already have experience in compiling some of this information. • It was noted that guidance is also needed on the consolidation procedures for whole-of-government consolidation. In particular, guidance is needed on eliminations. A key issue is whether all transactions should be eliminated (including those related to operational activities, such as audit fees, telephone costs, airfares, taxes etc.), or whether only 	<p>Noted and agreed.</p> <p>The Board agrees that combining information from entities to report on activities or clusters may be useful. As a result, it has proposed preparing a Standard on how to prepare “combined financial statements” in 2019 which will address the issues raised.</p> <p>The Board will consult with all relevant stakeholders in developing the guidance.</p> <p>The Board has prioritised identifying issues with the current consolidation that may need to be addressed. This will be done during the 2017 period.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>transactions such as loans or investments should be eliminated. One of the key issues that also raises issues on consolidation is VAT – particularly where there is a VAT and a non-VAT vendor which are counterparties to the transaction (e.g. audit fees paid by departments to the AGSA).</p>	
2B.8	Meeting with the Budget Office	
	<p>Reporting Financial Information to Citizens:</p> <ul style="list-style-type: none"> • Support was expressed for this project in the context of a project being undertaken to make more information available to civil society as part of the Open Budget Initiative. • It was noted that the ASB could play a role in identifying what is the key information that users are likely to want in relation to the financial statements. 	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>
	<p>Whole of government consolidation:</p> <p>There was strong support for developing guidance on “consolidating” entities where control is not the factor. This is in part based on the recent G20 decision for governments to prepare a consolidated balance sheet and the Budget Office’s management of fiscal risk.</p>	<p>Noted. The Board agrees that this information is useful. As a result, it has proposed preparing a Standard on how to prepare “combined financial statements” in 2019.</p>
2B.9	Roundtable discussion with the firms	
	<p>Reporting Financial Information to Citizens:</p> <ul style="list-style-type: none"> • This project was not supported as a project for the ASB to undertake. If any such guidance is issued, it should be developed by the National Treasury or the DPME. • If the project is progressed, it should be clear that the need for this information exists amongst users, what the intended use of the information will be and whether it will be audit 	<p>Noted. As the Board received mixed responses to this proposed project, it has agreed to undertake further research on the need for this type of information. As this project is not urgent, it is likely to be prioritised for the 2018 reporting period.</p>

	<p>(considering potential resource constraints), and whether the project should include both financial and performance information.</p> <ul style="list-style-type: none"> • It was questioned whether proper application of Integrated Reporting in the public sector may alleviate issues related to the accessibility of information by citizens. <p>Interim reporting was also discussed. It was noted that this could be relevant, but not for all entities as this would be unduly onerous. Criteria would need to be developed to decide which entities should prepare interim financial statements, e.g. those which are required to do so by legislation, and those that elect to voluntarily prepare the information.</p>	<p>Noted. The Board agreed to develop guidance on interim reporting, and this will be prioritised during 2017.</p>
	<p>Whole of government consolidation:</p> <ul style="list-style-type: none"> • There was no strong support for undertaking this project (any aspect of it) until the departments adopt accrual accounting, there is no point in doing any work. • Strong support was expressed for preparing an “RSA Inc” set of financial statements as this would give a clear indication of the resources and obligations of the government, but that no work should be done on this now. • Support was expressed for providing guidance on principles to allow entities to prepare “combined” financial statements that would facilitate cluster or sector reporting. This type of information is relevant as it has greater linkages to programmes and service delivery of government. This could be progressed despite the current differences in reporting frameworks. 	<p>The Board agrees that combining information from entities to report on activities or clusters may be useful. As a result, it has proposed preparing a Standard on how to prepare “combined financial statements” in 2019.</p>

<p>2C.</p>	<p><i>Feedback on other projects</i></p> <p>Are there any other projects the Board should consider adding to its work programme?</p> <p>Please provide a brief description of the issue or nature of the project.</p> <p>Please evaluate the proposed projects using the criteria in paragraph 12, and consider the urgency of the issue.</p>	
<p>2C</p>	<p>City of Cape Town</p>	
<p>2C.1</p>	<p>The following initiatives were identified:</p> <ul style="list-style-type: none"> • Undertaking research to identify whether an equivalent of “Other Comprehensive Income” should be developed for the public sector. The aim of this project should be to provide better information to users about whether current year revenues were sufficient for current year expenses, and to separate the effects of “non-operational” expenses and revenue from the statement of financial performance. • Developing guidance on interim financial statements. It was suggested that the JSE may make this a condition of their listing in future. • Re-considering the requirement in GRAP that “cash and cash equivalents” only include those investments with a maturity of 0-3 months. • Reviewing financial statements for compliance and quality and providing feedback to entities. 	<p>The Board did not support undertaking a project to change the presentation of the statement of financial performance as it is not seen as a priority at present. It did however agree to undertake a review of current practice in 2017.</p> <p>The Board agreed to develop guidance on interim financial statements in 2017.</p> <p>The Board will review the current requirements and if necessary, issue an FAQ.</p> <p>The Board agreed that such reviews may have merit, particularly as a substitute for undertaking post-implementation reviews. As this work is likely to be resource intensive, the Board will engage with universities about the possibility of undertaking these reviews.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

2C.2	Public Entity CFO Forum	
	No specific issues identified.	Noted. No further action required.
2C.3	IMFO Western Cape	
	Participants proposed that the ASB should consider developing guidance on the treatment of VAT, and specifically how VAT should be treated when provisions are accounted for in the financial statements.	Noted. As the development of guidance on the treatment of VAT is outside the Board's mandate, this suggestion will be passed on to the OAG for its consideration.
2C.4	SALGA	
	<p>Application of Standards by smaller entities</p> <ul style="list-style-type: none"> • Concerns were noted about the ability of smaller entities (based on resource and capacity constraints) to comply with Standards of GRAP. It was questioned whether a project could be initiated to identify what aspects of the Standards could be excluded for less capacitated organisations. • Although it was noted that the materiality project may assist with the application of the Standards, smaller entities often do not have professional accountants preparing their financial statements, and may often not be in a position to fully understand what materiality is and how it should be applied. • It was also noted that, to address these issues, assistance could be provided by the National/Provincial Treasuries to entities that have difficulty in retaining competent staff, in preparing their financial statements. 	Noted. The Board has agreed to undertake further research to identify what options may be available to alleviate the reporting burden on smaller entities.



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>Stabilisation of the reporting framework</p> <p>The local government environment has experienced a number of reforms over the last few years, and will still need to implement the mSCOA in the next 2 years. As a result, the Board should consider keeping the reporting framework stable, and not issuing too many new Standards in the next few years.</p>	<p>Noted. This issue has been considered in prioritising projects for the 2017 to 2020 period.</p>
	<p>Application of judgement in preparing the financial statements</p> <p>It was noted that municipalities often indicate that their judgement is questioned during the audit process, with the end result that the entities are often required to make significant changes to their financial statements. Areas of concern were the determining of receivables to be impaired, and rehabilitation or similar provisions.</p>	<p>Noted. This issue will be raised during the trilateral discussions.</p>
	<p>Traffic fines</p> <p>It was noted that the recognition and measurement of traffic fines using IGRAP 1, as well as assessing whether entities are principals or agents in the arrangement, was a significant issue during the last audit cycle. It was questioned whether this issue has been fully resolved, and if not, this may be an area where the Board should consider issuing guidance.</p>	<p>Noted. This will be monitored informally to assess whether further action is required.</p>
2C.5	Roundtable with local government preparers	
	<p>Considering the application of Standards of GRAP by smaller entities</p> <ul style="list-style-type: none"> • Concerns were expressed about the application of Standards of GRAP by smaller municipalities. • It was observed that attracting and retaining competent finance officials in smaller, rural/remote entities is likely to continue to be an issue going forward because of the 	<p>Noted. The Board has agreed to undertake further research to identify what options may be available to alleviate the reporting burden on smaller entities.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>resources available or the geographical location of these entities.</p> <ul style="list-style-type: none"> • It was suggested that the ASB identify a way in which the existing Standards of GRAP could be made less onerous for these entities, rather than developing a separate set of Standards. • It was suggested that using the mSCOA implementation may assist the ASB in identifying the types of transactions these entities enter into, and therefore what parts of the Standards are most relevant. 	
	<p>Other activities</p> <ul style="list-style-type: none"> • The ASB should factor into its work programme that the mSCOA will be implemented officially from 1 July 2017. As a consequence. As a number of issues are likely to arise, including the interaction between the mSCOA and the Standards of GRAP, sufficient time should be dedicated to these issues by the ASB. • It was also noted that the ASB should consider the implementation of mSCOA in relation to developing new Standards. It is likely that municipalities will have limited capacity to comment new proposals. Likewise, it will be difficult for entities to adopt new developments during this time. 	<p>Noted. The involvement of the ASB with the mSCOA team will be considered in selecting projects. The ability of entities to deal with new pronouncements or comment on new proposals has been considered in prioritising projects.</p>
2C.6	Roundtable with PAGs	
	<ul style="list-style-type: none"> • It was suggested that the ASB work with the OAG to resolve current issues on the classification of inventory in the Modified Cash Standard. • Guidance is needed on the accounting by traditional leaderships, as well as the monies held by the provincial treasury. 	<p>Noted. As this issue relates to the modified cash standard, this will be raised with the OAG.</p> <p>Noted. The OAG is currently working on the development of guidance on this issue. It will be confirmed whether the project could be extended to deal with the accounting of monies held by the</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

		provincial treasuries.
2C.7	Meeting with the Office of the Accountant-General	
	No other projects were specifically identified. Through the Financial Management Capability Maturity assessments, a number of areas were highlighted for improvement, but that these related more to process and policy issues, rather than specific accounting issues.	Noted. No further action required.
2C.8	Meeting with the Budget Office	
	<ul style="list-style-type: none"> • One of the key challenges that the Budget Office experiences is the preparation of budgets on cash and the financial statements on accrual, and how to compare the actual results for monitoring purposes. • It was suggested that the cash flow statement could play a greater role in being used as a basis for the development of budgetary information, so that when the financial statements are prepared the comparison is easier. It was noted that the format of the cash flow statement could be revisited to facilitate its use for budget presentation purposes. • As a wider issue, the presentation of the statement of financial performance could also be revisited to align with the cash flow statement, and could make distinctions between operating and other revenues and expenses clearer. Disclosures about the composition of the accumulated surplus or deficit could also be useful to understand if any surpluses are used to fund future capital expenditure (as an example). • It was noted that if any revisions are made, it would be useful for them to be aligned with the roll-out of the IFMS. 	Noted. As a number of issues have been raised with the cash flow statement by respondents over a period of time, the Board has agreed that the Secretariat should engage with the Budget Office on this issue to identify if any changes could be made to the format.

2C.9	Roundtable discussion with the firms	
	<ul style="list-style-type: none"> • Guidance on adjusting revenue as a result of subsequent changes, i.e. should events result in changes in estimates or errors. • Guidance on accounting for landfill sites. • Guidance on how entities that apply IFRSs (public entities and SOEs) could use Standards of GRAP to formulate accounting policies where no guidance exists in IFRS (e.g. heritage assets). • Guidance on the interaction between the Standards of GRAP in considering whether an arrangement is a PPP (SCA), Principal-Agent Arrangements, and Joint Arrangements. • There should be an engagement with the Minister of Higher Education and Training on certain accounting issues affecting the education sector, e.g. how universities identify related party transactions in the government sector beyond the DHET. 	<p>The Board has agreed to issue guidance on adjustments to revenue in 2017.</p> <p>The Board has agreed to develop guidance on accounting for landfill. Work will commence in 2017.</p> <p>The Board has agreed that the guidance is necessary and will address this issue in 2018.</p> <p>The Board believes that a FAQ may be necessary to explain the interaction between the Standards.</p> <p>Noted. This issue is however outside the scope of the Board's mandate. This issue could be raised with the Department of Higher Education and Training for assistance</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

3.	Feedback on maintenance of Standards	
3A.	Reporting Framework Do you believe that Directive 5 and the annual update of the annexures should continue?	
3A.1	City of Cape Town	
	It was indicated that the reporting framework (Directive 5 in its current format) is no longer needed. A list of the relevant Standards and reporting frameworks could instead be published by the Secretariat on its website.	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed necessary.
3A.2	Public Entity CFO Forum	
	No specific comments raised. Participants content to retain Directive 5 in current format.	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed necessary.
3A.3	SALGA	
	Directive 5 should be retained as it is still used by preparers.	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed necessary.
3A.4	Roundtable with local government preparers	
	Participants supported retaining Directive 5 as it is used by preparers on an ongoing basis. The	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed

	annexures are particularly useful.	necessary.
3A.5	Roundtable with PAGs	
	Participants noted that the list of Standards, included as an annexure to Directive 5, is important.	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed necessary.
3A.6	Meeting with the Office of the Accountant-General	
	<ul style="list-style-type: none"> • There was support for retaining the text of Directive 5. It was noted that because there are always new entrants into the public sector, this information should be available. • It was however suggested that the annexures need not undergo a formal due process every year. They could just be issued as a communication on the ASB's website. 	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed necessary.
3A.7	Roundtable discussion with the firms	
	<ul style="list-style-type: none"> • Directive 5 is no longer needed. The Secretariat should however continue to issue the schedules on the website as long as the reporting framework is different for different entities. 	Noted. The Board will retain Directive 5, and only issue the Annexures for comment when deemed necessary.

3B.	Bi-annual improvements project	
	Do you believe that the Improvements Project should (a) be undertaken every two years, or is another time frame appropriate, and (b) should the nature of the changes include only minor, non-urgent changes, or should other changes also be considered as part of this project?	
3B.1	City of Cape Town	
	No specific issues with the improvements were noted, and there is no reason not to continue with such changes.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to every three years.
3B.2	Public Entity CFO Forum	
	Participants agreed with the status quo regarding the improvements projects and felt the ongoing updates are appropriate.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to every three years.
3B.3	SALGA	
	The continuation of the improvements project was supported, but it was noted that it may be appropriate to undertake this project every 3 years, i.e. once in the Board's new work programme time horizon.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to every three years.
3B.4	Roundtable discussion with local government preparers	
	The continuation of the improvements project in its current format was supported.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

		every three years.
3B.5	Roundtable with PAGs	
	Support was expressed for the Improvements Project to continue in its current format.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to every three years.
3B.6	Meeting with the Office of the Accountant-General	
	Support for continuing with the process.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to every three years.
3B.7	Roundtable discussion with the firms	
	Support for the improvements project to continue, both in terms of timing and scope.	Noted. The Board will retain the scope of the improvements project, but amend the frequency to every three years.
3C.	Feedback on other projects Are there any issues that the Board should consider to maintain the existing suite of Standards? Please provide a brief description of the issue or the nature of the project. Please evaluate the proposed projects using the criteria in paragraph 12, and considering the urgency of the issue.	



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

3C.1	Roundtable discussion with the firms	
	<p>The ASB should explore undertaking reviews of the financial statements of entities and provide feedback or publish reports on findings (similar to the JSE reviews, although could be less formal than formally documenting findings and requesting entities and auditors to respond to specific questions). It was noted that the review could be done for specific sectors as a way of identifying potential areas for the ASB to address, as well as promoting/rewarding good reporting.</p>	<p>Noted. The Board believes there is merit in undertaking these reviews as an alternative to post-implementation reviews. As these reviews are likely to be time consuming, the Board will engage with universities to understand if they are able to assist in undertaking these reviews.</p>

4.	Projects to maintain alignment with the IPSASs	
	Using the criteria outlined in paragraph 12, which of the projects outlined in paragraphs 35 to 47 should be selected and prioritised by the Board?	
4.1	City of Cape Town	
	<p>The following projects were supported:</p> <ul style="list-style-type: none"> • Revenue to the extent that this project helps the presentation of revenue in the statement of financial performance (i.e. representing operational revenue in the statement of financial performance). • Non-exchange expenses to the extent that the project helps identify what non-exchange expenses are, and how to treat/present free basic services. • Measurement of public sector assets to the extent that guidance is provided on what fair value means (now that the Conceptual Framework no longer includes fair value). <p>Adoption IFRS 16 in the public sector may give rise to more issues than previously anticipated.</p>	<p>Noted. Given that the IPSASB is not likely to complete several of these projects during the period 2017-2020, the Board has not prioritised these projects for that period. The Board will however continue to monitor work in these areas.</p> <p>Uncertainty with adopting IFRS 16 noted.</p>
4.2	SALGA	
	<p>Given the current challenges experienced by local government, the following IPSASB projects should be prioritised:</p> <ul style="list-style-type: none"> • Review of revenue: Recognition and measurement of revenue at municipalities remains an issue. • Measurement in the public sector: Municipalities still experience difficulties in measuring 	<p>Noted. Given that the IPSASB is not likely to complete several of these projects during the period 2017-2020, the Board has not prioritised these projects for that period. The Board will however continue to monitor work in these areas.</p>

	<p>assets.</p> <ul style="list-style-type: none"> • Infrastructure assets: Municipalities still experience significant issues in relation to the measurement of infrastructure assets. • Leases: Municipalities still experience difficulties in classifying leases between operating and finance leases. If this project assists in resolving this issue, it should be pursued. 	
<p>4.3</p>	<p>Roundtable discussion with local government preparers</p>	
	<p>The following projects were highlighted as priority projects should the IPSASB finalise or make significant progress on the projects:</p> <ul style="list-style-type: none"> • Public sector combinations: GRAP 105-107 on transfers of functions and mergers have just been implemented and as a result, no changes should be made as yet. • Financial instruments: refreshing GRAP 104 for certain issues in IFRS 9. As an example, municipalities may already be applying something like the expected loss model in impairing assets as they already use payment ratios to assess impairment rather than waiting for defaults to occur. • Employee benefits: Changes are not significant and could be accommodated easily. • Social benefits: As the impact of such benefits is not as great for local governments, this is not a priority. • Non-exchange expenses: It was agreed that this project would be a priority as no guidance exists at present. • Review of revenue: It was noted that the exchange/non-exchange revenue split is sometimes contentious. As a result, it may be useful to change the approach to classifying 	<p>Support for retaining GRAP 105-107 noted.</p> <p>Given that the IPSASB is not likely to complete several of these projects during the period 2017-2020, the Board has not prioritised the majority of the projects identified for that period. The Board does however believe that it should undertake work to revise the Standards of GRAP on <i>Employee Benefits</i> and <i>Financial Instruments</i> to ensure that these Standards remain consistent with best practice. The Board will continue to monitor work in the other areas identified by respondents.</p>

	<p>revenue.</p> <ul style="list-style-type: none"> Leases: There was support for the project to the extent that it resolves the current issues being experienced in distinguishing operating and finance leases. It was suggested that the Board monitor the project and the application in the private sector to assess/identify practical application and implementation issues. Emissions trading schemes: It was noted that although there are currently no schemes, it may be important in the future and should be monitored. 	<p>Noted.</p>
<p>4.4</p>	<p>Roundtable discussion with PAGs</p>	
	<ul style="list-style-type: none"> Given the existing Standards in place, a low priority was given to the public sector combinations, financial instruments, heritage assets and employee benefits projects. Emissions trading schemes was also given a low priority. Social benefits: As there is no guidance, it was noted that this project should be prioritised if finalised during 2017-2020. Non-exchange expenses: As with social benefits, because there is no guidance, this project should be prioritised (particularly in the context of inter-entity transfers). Infrastructure assets and measurement in the public sector were given a high priority given the issues related to accounting for assets. Leases: As issues exist with the classification of leases, it was noted that it would be interesting to observe how the developments would assist with these issues. As a result, the project should be monitored closely. 	<p>Noted. The Board believes that it should undertake work to revise the Standards of GRAP on <i>Employee Benefits</i> and <i>Financial Instruments</i> to ensure that these Standards remain consistent with international best practice.</p> <p>Given that the IPSASB is not likely to complete several of these projects during the period 2017-2020, the Board has not prioritised the majority of the projects identified. The Board will continue to monitor work in the other areas identified by respondents.</p>

	<ul style="list-style-type: none"> • Priority was given the revenue project as it deals with a significant issue in the public sector. 	
<p>4.5</p>	<p>Meeting with the Office of the Accountant-General</p>	
	<ul style="list-style-type: none"> • Public Sector Combinations: Given that GRAP 105-107 on transfers of functions and mergers have just been implemented, there is low support for doing work on aligning with an equivalent IPSAS if it is completed in 2017-2020. • Financial Instruments: Support for undertaking a review of financial instruments and aligning with IFRS 9. This will assist in minimising differences on consolidation. • Employee Benefits: As many of the significant changes have already been addressed in GRAP 25 (e.g. the recognition of actuarial gains and losses), the project should be undertaken. • Social Benefits: Strong support to commence work on this project if the IPSASB completes the project in 2017-2020. • Review of Revenue: It was agreed that work on this project should wait until there is more certainty about the expected completion. • Non-exchange Expenses: As there is no guidance available, this project should be prioritised if the work is completed by the IPSASB. • Heritage Assets: There was no support to undertake a project on heritage assets. ASB to monitor progress. • Measurement in the Public Sector: It was noted that although this is an important project, it may have a low impact (as most entities do not revalue assets), and may add to “reform fatigue”. 	<p>Support to retain GRAP 105-107 is noted.</p> <p>Given that the IPSASB is not likely to complete several of these projects during the period 2017-2020, the Board has not prioritised the majority of the projects identified. The Board does however believe that it should undertake work to revise the Standards of GRAP on <i>Employee Benefits</i> and <i>Financial Instruments</i> to ensure that these Standards remain consistent with best practice. The Board will continue to monitor work in the other areas identified by respondents.</p>

	<ul style="list-style-type: none"> • Infrastructure Assets: This project was given high priority. Therefore if it is completed in 2017-2020, then it should be undertaken by the Board. • Leases: Although interest was expressed, it was noted that practice in the private sector may need to evolve before being implemented in the public sector. • Emissions Trading Schemes: No support was expressed for this project as it is not a prevalent issue in SA. • Other Financial Instruments: It was noted that a separate project is not needed. The National Treasury will adopt the policies in their modified cash standard, and liaise with the SARB 	<p>Noted.</p> <p>Noted.</p>
4.6	Meeting with the Budget Office	
	No specific suggestions were proposed, other than that the OAG should guide the priority of these projects.	Noted. No further action required.
4.7	Roundtable discussion with the firms	
	Clear criteria need to be developed by the Board outlining when it intends converging with the equivalent IPSAS or IFRS, and in what circumstances it will decide to develop its own Standards.	Noted. The Board agrees with this proposal and will develop a policy to guide convergence with the pronouncements of other standard-setters.
	<ul style="list-style-type: none"> • Public sector combinations: As Standards have just been implemented, not a high priority for the 2017-2020 if the IPSASB completes the project. If the IPSASB completes the project during the period, the first step should be undertaking a gap analysis of the differences in the requirements. Any decisions could also be informed after a review of the adoption of 	Support for retaining GRAP 105-107 is noted.

	<p>GRAP 105-107 once implemented.</p> <ul style="list-style-type: none"> • Financial instruments: Support was expressed for adapting GRAP 104 to align it with the impairment and hedging models in IFRS 9 (and potentially considering the classifications of instruments and how this differs). Views noted that the “business model” in IFRS 9 may not be easily suited to the public sector. IFRS 9 will also be onerous and costly to apply. • Employee benefits: No strong views expressed, but seeing as this is a convergence with IAS 19, if the IPSASB completes the project, the changes should be adopted locally. • Social benefits: The project is important, but strong reservations were expressed about whether this project would be completed in 2017-2020 given the complexity of the issues. If the project is completed, initial analyses and project planning could be commenced. • Review of revenue: Views expressed that because revenue Standards exist, there is no urgency to consider changes, particularly the adoption of IFRS 15. • Non-exchange expenses: As no guidance exists, there was a sense that this should be prioritised if it is completed. • Heritage assets: As a Standard exists, not urgent to deal with during the 2017-202 period. • Measurement in the public sector: If project is completed, this should be prioritised given the potential impact on the Standards of GRAP. • Infrastructure assets: This project should be prioritised if completed. • Leases: As this is a new IFRS, it is unclear what potential benefits could be from applying this in the public sector. It could assist with accounting for land, and many leases could be service contracts rather than leases. Implementation in the private sector should be monitored to identify issues rather than focus on this during the 2017-2020 period. 	<p>Given that the IPSASB is not likely to complete several of these projects during the period 2017-2020, the Board has not prioritised the majority of the projects identified for that period. The Board does however believe that it should undertake work to revise the Standards of GRAP on <i>Employee Benefits</i> and <i>Financial Instruments</i> to ensure that these Standards remain consistent with best practice. The Board will continue to monitor work in the other areas identified by respondents.</p>
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**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<ul style="list-style-type: none"> • Other financial instruments: If project is completed, then the guidance should be considered during the period. • Emissions Trading Schemes: As no schemes exist, this is not a priority. 	Noted.
	<p>Other initiatives</p> <p>It was noted that the Board should consider changes to IAS 1 and their relevance for the public sector, in particular, whether an equivalent of other comprehensive income should be considered.</p>	<p>Noted. The Board did not support making changes to GRAP 1 on <i>Presentation of Financial Statements</i>. The Board did not believe this is a priority for the 2017-2020 period. It is also mindful that the IPSASB may still amend IPSAS 1 as a result of issuing its Conceptual Framework in 2014, and believes that any amendments may be premature.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

5.	Projects to promote the adoption of Standards of GRAP	
5A.	First Time Adoption of Standards of GRAP Do you believe that the Board should revise and repeal the existing Directives that outline transitional provisions for the initial adoption of Standard of GRAP by issuing a Standard aligned with IPSAS 33? Please consider the criteria in paragraph 12, as well as the urgency to consider the issue.	
5A.1	City of Cape Town	
	A single Standard would be easier and simpler than the various Directives in issue.	Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP.
5A.2	Public Entity CFO Forum	
	Participants did not express a clear view on this issue.	Noted. No further action required.
5A.3	SALGA	
	There was support for issuing a single document outlining the adoption of Standards of GRAP.	Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP.
5A.3	Roundtable discussion with local government preparers	
	Support was expressed for developing one Standard for the first time adoption of GRAP.	Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP.



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

5A.4	Roundtable with PAGs	
	<ul style="list-style-type: none"> • Participants noted that the ASB should focus its efforts on the adoption of Standards of GRAP by departments. In particular, it was suggested that the ASB should use its influence with the Minister to ensure that there is a clear commitment to move to accrual accounting, with clear deadlines set. • Participants noted the difficulties they experience in trying to support entities, when they themselves (or a large part of their sector), does not apply Standards of GRAP. • Support was expressed for the development of one Standard for the first time adoption of the Standards. It was agreed that the Standard should cater for different situations rather than be specific to a type of entity. 	<p>Noted. The plan to migrate departments from cash to accrual accounting will be discussed with the OAG and AGSA.</p> <p>Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP. The scope and the extent to which it deals specifically with the adoption of Standards of GRAP by certain entities will be considered as part of the initial research on this project.</p>
5A.5	Meeting with the Office of the Accountant-General	
	<p>Support was expressed for developing one Standard for the first time adoption of GRAP. It was however noted that this Standard should focus on the adoption by Departments.</p>	<p>Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP. The scope and the extent to which it deals specifically with the adoption of Standards of GRAP by certain entities will be considered as part of the initial research on this project.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

5A.6	Meeting with the Budget Office	
	Support was expressed for developing one Standard for the first time adoption of GRAP. It was however noted that this Standard should focus on the adoption by Departments.	Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP. The scope and the extent to which it deals specifically with the adoption of Standards of GRAP by certain entities will be considered as part of the initial research on this project.
5A.7	Roundtable discussion with the firms	
	<p>The development of a single Standard on first time adoption of the Standards would be useful and eliminate the need for all the Directives. Such a Standard would provide a comprehensive framework for entities to consider and apply when adopting Standards of GRAP.</p> <p>For entities that have not yet adopted GRAP, e.g. departments, separate considerations may still need to be developed.</p> <p>It was also noted that it might be useful to distinguish those transitional provisions that relate to a change in reporting framework, and those that relate to the initial adoption of a new Standard.</p>	Noted. The Board will develop a single Standard on the first time adoption of Standards of GRAP. The scope and the extent to which it deals specifically with the adoption of Standards of GRAP by certain entities will be considered as part of the initial research on this project.

5B.	<p>Feedback on other projects</p> <p>Are there any other projects that the Board should consider that relate to the adoption of the Standards of GRAP by entities?</p> <p>Please provide a brief description of the issue or the nature of the project.</p> <p>Please evaluate the proposed projects using the criteria in paragraph 12, and considering the urgency of the issue.</p>	
5B.1	City of Cape Town	
	<p>It was noted that the consultation undertaken by the ASB on the Exposure Drafts is hugely beneficial as it helps entities understand the implications of the Standards, and assists in changing systems, processes etc. The City urged the ASB to continue with such outreach activities.</p>	<p>Noted. The continued consultation and outreach has been noted by the Board.</p>
5B.2	Public Entity CFO Forum	
	<p>Participants noted that there needs to be better communication about EDs and Standards. It was observed that entities often receive Standards and Exposure Drafts too late which impacts of the assessment of, and preparation for, any newly issued Standards.</p>	<p>Noted. The Board makes entities aware of its communication methods in all its presentations and other opportunities. The Board will also embark on initiatives with SAICA to provide information on new Exposure Drafts and pronouncements by way of webcasts.</p>
5B.3	SALGA	
	<ul style="list-style-type: none"> It was noted that the current consultation undertaken on the proposed Standards is critical as it assists entities to understand the proposals, and to understand the implication of the 	<p>Noted. The continued consultation and outreach on the Exposure Drafts has been noted by the Board.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>proposals.</p> <ul style="list-style-type: none"> • The ASB could consider partnering with organisations to undertake education campaigns on particular Standards. • The National Treasury should be doing more to assist entities in the practical implementation and application of the Standards. 	<p>Noted. This will be communicated to the OAG.</p>
5B.4	Roundtable discussion with local government preparers	
	<ul style="list-style-type: none"> • It was noted that there needs to be greater awareness and emphasis placed on the development of transitional provisions and the effective date, as well as consultation when they are issued for comment. In particular, it needs to be clear that transitional provisions and the effective dates cannot be extended after the fact (without the granting of a specific exemption). • It was also noted that any potential differences between the budget and accounting requirements should be highlighted once a Standard is issued as entities often confuse the requirements. 	<p>Noted. The process to develop transitional provisions for new Standards will be addressed when the proposed Standard is issued, as well as when the transitional provisions are issued for comment.</p> <p>Noted. The Board will engage with the National Treasury to understand how the ASB and the Budget Office can work together on such communication.</p>
5B.5	Roundtable with PAGs	
	<ul style="list-style-type: none"> • The consultations in the provinces on the proposed Standards/newly issued Standards are useful. • It was noted that the OAG should engage more with preparers in developing their guidance so that relevant guidance is developed. 	<p>Noted. The continued consultation and outreach on the Exposure Drafts has been noted by the Board.</p> <p>Noted. This will be communicated to the OAG.</p>

5B.6	Meeting with the Office of the Accountant-General	
	The need for consultation throughout the process was emphasised, and that it is a valuable part of the adoption process.	Noted. The continued consultation and outreach on the Exposure Drafts has been noted by the Board.
5B.7	Meeting with the Budget Office	
	<p>The Board needs to consider the implications of the Standards for smaller entities.</p> <p>It was noted that the OAG and Budget Office would need to engage with the ASB as the IFMS is rolled out, and in particular, in considering the chart of accounts to be adopted. This review should be factored into the ASB's activities for the 2017-2020 period.</p>	<p>Noted. The Board has agreed to undertake further research to identify what options may be available to alleviate the reporting burden on smaller entities.</p> <p>Noted. This will be considered in the ASB's work programme.</p>
5B.8	Roundtable discussion with the firms	
	<p>In communicating with entities after issuing a Standard, it would be useful to communicate the differences between current and new requirements, the need for change and the potential implications of the change.</p> <p>It might also be useful to communicate high level practical implications of new Standards such as the need to review contracts, develop policies etc.</p>	Noted. These issues will be considered in future communications.

6.	Monitor the application of the Standards of GRAP	
	For which Standards should the Board consider undertaking post-implementation review? It would be useful if the urgency to undertake a review of a Standard is outlined in the response.	
6.1	City of Cape Town	
	No specific reviews were identified. It was however suggested that there could be a clearer communication of the issues received and dealt with by the trilateral parties, and how these issues either result in FAQs being issued, amendments to Standards, or would leave to post-implementation reviews being undertaken.	Noted. The communication on how issues are resolved will be considered.
6.2	Public Entity CFO Forum	
	<p>Participants requested that the ASB reviews the following areas of the Standards:</p> <ul style="list-style-type: none"> • Control of entities for consolidation purposes – based on control or legal ownership. • Segment reporting – public entities have struggled to identify segments. It was suggested that guidance be provided on the identification of segments based on funding sources, e.g. grant funding and other funding. It was also observed that the identification of geographical segments is difficult. It was suggested that guidance/template be developed outlining what should be disclosed. • Review of revenue, in particular the accounting for fines by public entities and municipalities (and perceived inconsistent treatment). • Review of revenue, in particular, a review of the requirements for the recognition of levies in 	<p>Noted.</p> <p>The proposed revisions to GRAP 6 on <i>Consolidated and Separate Financial Statements</i> may alleviate issues in this area.</p> <p>The Board will liaise with the OAG on this issue. It may be that additional guidance is needed, and/or that wording in GRAP 18 on <i>Segment Reporting</i> may need to be revised.</p> <p>This issue will be raised with the OAG.</p> <p>As the IPSASB may be revising IPSAS 23, the Board</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	<p>terms of GRAP 23. Many levies in the nature of taxes, but the guidance on a taxable event and using this as the “past event” have proven inappropriate.</p> <ul style="list-style-type: none"> Developing guidance on the disclosure of commitments in the notes to the financial statements. As no guidance exists, there is inconsistent practice in what is seen as a commitment, and how it is presented. 	<p>does not propose dealing with this issue at present.</p> <p>As this is not a reporting requirement of the Standards of GRAP, this will be raised with the OAG.</p>
6.3	SALGA	
	<p>It was noted that with the municipal demarcations taking place this year, it may be appropriate to undertake a review of how the transfers of functions and mergers Standards were applied to identify any issues that may need to be addressed by the Board.</p>	<p>Noted. The Board received mixed responses about the need to undertake a post-implementation review in this area. As a result, it will not undertake a formal post-implementation review on these Standards during 2017-2020. The Board will however monitor whether any issues arise and address these if necessary.</p>
6.4	Roundtable discussion with local government preparers	
	<p>Post-implementation reviews:</p> <ul style="list-style-type: none"> It was suggested that a review of GRAP 103 should be undertaken as entities have identified challenges in the implementation of the Standard. The application of GRAP 13 should also be identified as an area for a review. <p>Other issues:</p> <p>It was suggested that the ASB should not make amendments to Standards for a period of time after they become effective. A period of three years was suggested. It was noted that the ASB</p>	<p>Given that a number of issues have been raised in practice on the recognition and measurement of heritage assets, a post-implementation review will be conducted on GRAP 103 <i>Heritage Assets</i>.</p> <p>As the IPSASB is in the process of amending IPSAS 13 on <i>Leases</i>, the Board did not believe it appropriate to undertake a review on this area at this time.</p> <p>Noted. This will be considered when proposing future</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

	could identify application issues during that time, and then once a sufficient period of time has elapsed, decide what changes (if any) are necessary.	amendments to Standards.
6.5	Roundtable with PAGs	
	<ul style="list-style-type: none"> It was noted that a post-implementation review should be undertaken on heritage assets. It was noted that the mechanism for resolving disputes between auditors and preparers needs to be communicated more clearly to stakeholders. 	<p>Given that a number of issues have been raised in practice on the recognition and measurement of heritage assets, a post-implementation review will be conducted on GRAP 103 <i>Heritage Assets</i>.</p> <p>The Board takes cognisance of the issue, and considers that it may be useful issuing a joint communication between the ASB, OAG and AGSA on this issue.</p>
6.6	Meeting with the Office of the Accountant-General	
	<p>It was noted that a review of Heritage Assets may be appropriate.</p> <p>It was noted that although the Transfers of Functions and Mergers standards are now being used for the municipal demarcations, only a limited number of entities are affected. It might be useful to review the AG's reports and then decide if a post-implementation review is necessary.</p>	<p>Given that a number of issues have been raised in practice on the recognition and measurement of heritage assets, a post-implementation review will be conducted on GRAP 103 <i>Heritage Assets</i>.</p> <p>Noted and agreed.</p>



**ANALYSIS OF COMMENTS ON
PROJECTS TO PRIORITISE ON THE ASB'S WORK
PROGRAMME FOR 1 APRIL 2017 TO 31 MARCH 2020 (ED 138)**

6.7	Meeting with the Budget Office	
	<p>It was suggested that the ASB review entity's financial statements to ensure that they comply with the Standards, and also to identify areas of the financial statements that could be improved. It was suggested that this could focus on specific groups of entities, particularly where compliance with a particular Standard needed to be reviewed. These types of reviews could be identified by the Budget Office through their use of the financial statements, and identifying issues/entities that may require review.</p>	<p>Noted. The Board believes there is merit in undertaking these reviews. As these reviews are likely to be time consuming, the Board will engage with universities to understand if they are able to assist in undertaking these reviews.</p>
6.8	Roundtable discussion with the firms	
	<p>Support expressed for a review of the application of Directive 12.</p> <p>Revenue and transfers of functions could be considered as possible topics for post-implementation reviews.</p>	<p>Noted. No further action required.</p> <p>As the IPSASB may be revising IPSAS 23, the Board does not propose reviewing the revenue related Standards at this stage.</p> <p>The Board received mixed responses about the need to undertake a post-implementation review on transfers of functions. As a result, it will not undertake a formal post-implementation review on these Standards during 2017-2020. The Board will however monitor whether any issues arise and address these if necessary.</p>