

Adoption of IPSASs

Issues for consideration arising from South African experience

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**Roundtable: Planning for
implementation**





Overview

- 1. The decision to change
- 2. Why IPSASs?
- 3. The migration
- 4. Taking a look back
- 5. Taking a look forward



The decision to change

Constitution of the Republic of South Africa, 1996

1. Uniform reporting system
2. Transparency and accountability of REAL

Public Finance Management Act, 1999


1. Establishes ASB
2. Requires use of ASB Standards by all entities in the public sector
3. Use international best practice

Municipal Finance Management Act, 2003

1. Requires local government to use ASB Standards



Why IPSASs?

- Legislation references development of Standards to “international best practice”.
 - Decision with ASB in 2003 to decide which international Standards.
 - IFRSs focused on providing information to investors & do not deal with public sector specific transactions.
 - IPSASB substantially completed suite of Standards.
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The Migration

National and provincial ministries	Modified cash	Pending
National and provincial agencies	Local GAAP (based on IFRSs)	1 April 2008
Central revenue authority	Cash	1 April 2012, with five year transition
Parliament and legislatures	Modified cash	1 April 2010 & 2015, with three year transition
Municipalities – Big cities	Accrual, fund based	1 July 2008
Municipalities – All other	Fund based	1 July 2009, with three year transition






The Migration



Supplementary reforms

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- Budget has remained on cash for agencies, but is accrual based for municipalities.
 - Standard Chart of Accounts for ministries, and being implemented for municipalities.
 - Uniform IT system for ministries, and being investigated for municipalities.







The Migration



Capacity building

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- Shortage of professional accountants and engineers.
 - Office of Accountant-General provides support through training, guidelines, templates etc.
 - ASB facilitates clearer application of Standards through discussion forums, FAQs.
 - Established “School of Government”.
 - Professional accountants employed by government (at various levels).
 - Remains an ongoing challenge.
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The Migration

Key technical issues – Initial application

- Incomplete asset registers.
- Unavailability of cost information of assets.
- Accounting for infrastructure assets → determining costs, identifying components, identifying useful lives.
- Classifications of assets between various types.
- Accounting for use of assets and people between entities.
- Long term employee benefits – “other benefits”.
- Consolidation.





The Migration


■ *Key technical issues – Ongoing application*

- • Role of asset management v reporting on assets.
- Review of useful lives and impairment testing on infrastructure assets.
- Consolidation.
- Compliance culture v applying judgement, including materiality.






Taking a look back

- Positives: better access to markets and funding.
 - Negatives: regression in audit outcomes which affect public trust.
 - Over-reliance on consultants.
 - To enhance value of information, more focus on educating users.
 - Discussions between accountants and economists regarding rollovers, cash budgets and surrendering of surpluses
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Taking a look forward

- Post-implementation reviews.
 - Measured reforms to address different capabilities.
 - Financial statements and their value in the accountability process.
 - Assessing the implementation of RPGs.
 - Clear line of sight reporting between strategy, budget, financial statements, services provided.
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Questions, discussions & further information



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