



Accounting Standards Board

Responses due 22 April 2016

ACCOUNTING STANDARDS BOARD

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

ED 138



ED 138

Commenting on this Exposure Draft

The Board seeks comment on the Exposure Draft on *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2017 to 31 March 2020* (ED 138). The Board will utilise the feedback received from stakeholders to identify and key and priority projects to add to its work programme.

Comment should be submitted in writing so as to be received by **22 April 2016**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the work programme has been issued. Comment should be addressed to:

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Background to the Exposure Draft

The key objective of the Accounting Standards Board (ASB) is to set Standards of GRAP that are relevant, credible, and can be implemented by entities in the public sector. To ensure that this objective is met, it is critical that the ASB focuses its efforts in the most appropriate areas.

The ASB's Board uses a work programme to direct its standard-setting activities. The work programme outlines which projects the Board intends undertaking during a particular reporting period. In the initial stages of the Board's work, the focus was on developing a core set of accounting standards that substantially addressed material transactions and events undertaken by entities. This was largely driven by developing Standards of GRAP based on International Public Sector Accounting Standards (IPSASs). Using IPSASs allowed the Board to leverage resources already applied in developing public-sector specific standards.

As time has progressed, the work of the ASB has focused on responding to South African specific issues that require resolution. These issues have been identified through post-implementation reviews of Standards and through other engagements with stakeholders. The feedback received has been invaluable, and has ensured that the Board responds appropriately to issues experienced by both preparers and users.

The Board would like to undertake a formal consultation on its work programme and receive feedback from stakeholders about the projects that it should undertake over the period 1 April 2017 to 31 March 2020. Assisting the Board in this way ensures that the projects undertaken are relevant, and are given the appropriate priority.

Due process and timetable

The Board invites comment on the proposals set out in this Exposure Draft from preparers, users, auditors, standard setters and other parties with an interest in public sector financial reporting. Upon the closure of the comment period, the Board will consider the comment received on the Exposure Draft. A work programme for the period 1 April 2017 to 31 March 2020 will be developed by the Board based on the feedback received.

Invitation to comment

Comment is invited by **22 April 2016** on this Exposure Draft. The Board requests that respondents express an overall opinion on the approach adopted in the Exposure Draft. Respondents are also requested to provide feedback on the specific issues outlined in the Exposure Draft. An analysis of the comments received will be published on the website.

Identifying Projects to Prioritise on the ASB's Work Programme for the period 1 April 2017 to 31 March 2020

Part A - The need to consult

1. The ASB sets the accounting Standards that are used by entities in the public sector to prepare their financial statements. The Standards are designed to result in information in the financial statements that enables users to hold entities accountable and make decisions.
2. To ensure that the information in the financial statements meets these objectives, the ASB is seeking feedback from stakeholders about the projects it should prioritise on its work programme. This consultation will assist the Board to ensure that its standard-setting activities focus on the right issues, and appropriately balance projects between new areas, with issues of adoption and ongoing application of the Standards.
3. The Board is seeking feedback on the issues it should prioritise on its work programme for the period 1 April 2017 to 31 March 2020. A three year period has been selected as it links to the MTEF period over which resources are made available to the ASB, as well as the time horizon of other standard-setters' work plans.
4. The Board has already committed to projects for the period 1 April 2016 to 31 March 2017. A detailed list of these committed projects is included in Annexure B of this document.

The role of the work programme

5. To understand what projects the Board should include in its work programme, it is important to understand the purpose of the work programme and its role within the ASB.
6. The Board's work programme is the list of specific projects that it plans to undertake in a particular reporting period, and which drives the standard-setting activities of the Board. The projects outline the specific activities (projects) that the Board intends to undertake to deliver on its strategic goal and strategic objectives.
7. When projects are identified and prioritised, this should be done within the context of the ASB's goal and strategic objectives. The strategic goal and strategic objectives of the ASB (insofar as they relate to standard-setting activities locally) are as follows:

Strategic goal of the ASB

To enhance financial reporting in all three spheres of government on a continuous basis to engender confidence in financial reporting and improve accountability and decision-making.

Strategic objective 1 – Set Standards of GRAP

Objective 1 requires that the ASB sets Standards of GRAP which provide accounting and reporting requirements for all material transactions and events. The Standards should be understandable, and should be implemented by all three spheres of government.

Strategic objective 3 – Promote the adoption of the Standards of GRAP

Objective 3 requires that the ASB monitor and facilitate the adoption of the Standards of GRAP by public sector entities through the development of transitional provisions and transitional arrangements when the Minister of Finance approves a new Standard.

Strategic objective 4 – Monitor the application of the Standards of GRAP

Objective 4 requires the ASB to monitor and evaluate the consistent application of the Standards of GRAP on an ongoing basis by considering whether or not the needs of users of financial reporting are met. This includes the undertaking of post-implementation reviews.

8. Based on the Board's strategy, a number of potential projects have been identified which could be undertaken over the period 1 April 2017 to 31 March 2020. A list of these projects is included in Part B below. Feedback is requested on whether these projects should be undertaken, and if yes, how they should be prioritised. Stakeholders are also requested to identify any additional projects which should be undertaken as well as their priority.
9. The Board believes that the work programme should be appropriately balanced so as to ensure that projects are undertaken in each of these strategic areas. If stakeholders are of the view that more emphasis should be given to a particular strategic objective, the Board would welcome such views and comments.

Criteria to select and prioritise projects

10. It is important that both the Board and its stakeholders understand how projects will be evaluated to determine whether or not they should be added to the ASB's work programme, as well as how they should be prioritised.
11. The Board has identified criteria that should be used to evaluate the merits of individual projects, as well as constraints that should be considered in selecting and prioritising projects. These are outlined in the paragraphs that follow.

Criteria to evaluate individual projects

12. The Board has identified the following criteria that could be used to evaluate individual projects. They are as follows:

Proposed criteria to evaluate projects

1. **No guidance exists** in either the public or private sector, for new or existing issues, which results in inappropriate or divergent accounting results. Where no guidance exists, it is likely that the projects will require more resources and take longer to complete.

2. **Inconsistent application of existing guidance**, which results in inappropriate or divergent accounting results. Issuing guidance on the application of existing Standards may require fewer resources, and may take less time to complete.
3. Importance of **maintaining alignment with IPSASs (or IFRSs)**. Alignment with IPSASs (or IFRSs) may be important as it may address or alleviate practical issues where entities apply different reporting frameworks, e.g. consolidation and other issues; and it may be an opportunity to maximise resource utilisation by avoiding duplication of efforts.
4. Importance of **maintaining the current suite of Standards of GRAP** to ensure that they are relevant and are appropriately applied.

Constraints to be considered in selecting and prioritising projects

13. A key constraint is the resources available to the ASB to undertake particular projects. This includes both the capacity of the Secretariat and the Board, as well as financial resources that may be required to execute specific activities.
14. In selecting and prioritising projects, it is important to consider the financial management environment within which entities operate. In particular, the timing of financial management reforms may impact which projects are selected, as well as decisions to either expedite or delay particular projects.
15. Consultation with stakeholders during the standard-setting process is imperative and ensures that pronouncements issued by the Board are credible, relevant and can be implemented. As such, the capacity of stakeholders to participate in this process is also considered in project selection and timing.
16. The impact of an issue is also considered, particularly in the context of its significance to accountability and decision-making, as well as how widespread the issue is in the public sector, i.e. which entities are affected.
17. The urgency of the issue to the public sector is also considered. As a result of circumstances in the local legislative environment or due to specific economic conditions, it may be necessary to urgently respond to specific accounting issues.

Applying the criteria in responding to this Exposure Draft

18. It would be useful if stakeholders apply the project specific criteria in paragraph 12 when responding to Part B. As this document is aimed at identifying the projects the ASB should select and prioritise over the period 1 April 2017 to 31 March 2020, it would be useful if the urgency to deal with a particular issue is considered.

Issue #1 - Request for feedback

The Board requests respondents' views on the following issues:

- (a) Do you agree that the Board consult on the projects it should prioritise for a period of three years? If another period is selected, please indicate reasons why an alternative time horizon should be used.

(b) Do you agree with the criteria proposed by the Board in paragraph 12 to evaluate specific projects? Please provide reasons for your views.

Part B – Identifying and evaluating projects

19. The Board has identified a number of projects for each of its strategic objectives. Respondents should consider which, if any, of these projects should be undertaken and how they should be prioritised using the criteria outlined in paragraph 12, and considering the urgency of the issue. Under each strategic objective, opportunity is allowed to provide feedback on any other projects the Board should consider undertaking. The same criteria should also be considered in evaluating other proposed projects.
20. The diagram in Annexure A provides a graphical snapshot of all the projects identified, and where feedback is requested about other projects to be undertaken.

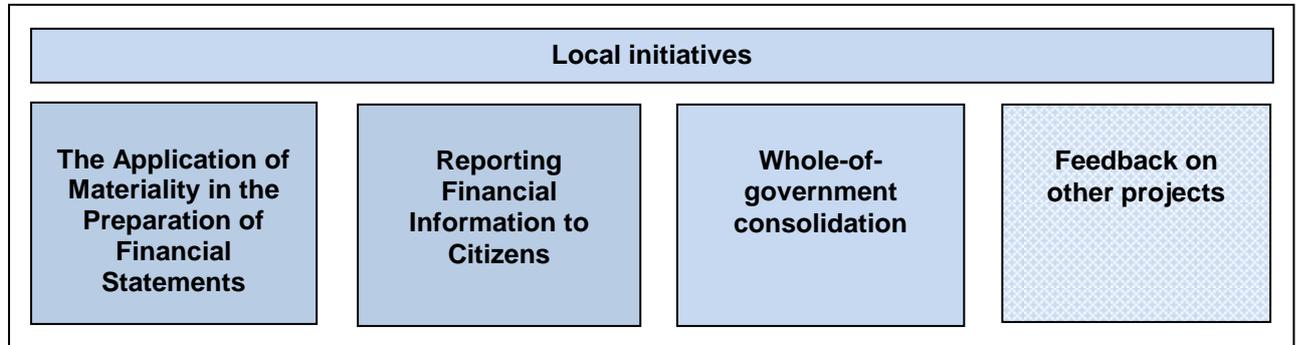
Strategic objective 1 – Set Standards of GRAP

21. The Board aims to develop Standards of GRAP (which includes Interpretations, Directives and Guidelines) that respond to local needs, undertake projects that maintain the existing suite of Standards of GRAP, as well as developing Standards that maintain alignment with IPSASs (where appropriate).
22. The Board identifies projects to address local needs through post-implementation reviews, feedback from stakeholders, and through discussions with the National Treasury and the Auditor-General to identify emerging issues.
23. The Board is committed to undertake a number of projects for the **2016/17** reporting period. These are included as Annexure B to this document. As the Board is already committed to these projects, the projects outlined in Annexure B are not subject to the consultation in this document, but provide context for the Board's current work commitments.

Proposed projects

24. The Board has identified a number of projects on its work programme under local initiatives, maintenance of Standards, as well as projects to maintain alignment with IPSASs for **1 April 2017 onwards**. Feedback is however required about the need to undertake these projects, their prioritisation, as well as identifying any additional areas that should be considered.
25. Each component of the diagram is outlined below, along with a brief explanation of each of the projects.

Local initiatives



26. *The Application of Materiality in the Preparation of Financial Statements*

- One of the key areas where guidance is still outstanding is the development of guidance on the application of materiality. After the Board’s initial consultation on Discussion Paper 9 *Materiality – Reducing Complexity and Improving Reporting*, the Board agreed that definitive guidance should be developed to guide preparers in considering materiality when preparing their financial statements. Many respondents to Discussion Paper 9 indicated that guidance on materiality would assist entities, including smaller, less complex entities, to apply only those Standards or parts of the Standards that are relevant to them.
- The Board has not undertaken work in this area as it has prioritised the finalisation of the guidance on land, housing arrangements and living and non-living resources.
- The Board however believes that the development of guidance on materiality is critical as this will lead to better quality reporting, and will result in less onerous reporting requirements for entities.

27. *Reporting Financial Information to Citizens*

- One of the key users identified for financial statements prepared using Standards of GRAP is every day citizens. Citizens are, however, often only interested in certain parts of an entity’s financial statements, most often those parts that provide an indication of whether services are likely to be continued to be provided in future.
- After the post-implementation review, it was identified that there may be a need to develop guidance that helps entities report information, in an easily understandable way, and focuses on key messages that are relevant to citizens. In other jurisdictions where this type of reporting is done, it requires that a separate report (usually in a booklet format) be issued to citizens over and above the financial statements.
- It was initially anticipated that this guidance would focus on reporting on information in the financial statements, although this could be expanded to report on other information such as key performance measures.

28. *Whole of government consolidation*

- Consolidated financial statements are currently prepared for the national government, each provincial government, and each municipality and its entities. These financial statements are prepared based on legislative requirements.
- There has been a debate over the last few years about three issues: (1) whether there is a need to provide additional guidance for those consolidations undertaken by the national and provincial government; (2) whether there is a need to prepare a set of financial statements that combines national, provincial and local government to represent “RSA government”; and (3) whether a set of financial statements should be prepared that can be prepared to the budget sector.
- For the first issue, some have advocated that different requirements or additional guidance is needed because different entities are consolidated, some of which apply IFRSs rather than Standards of GRAP, and given the volume and complexity of the transactions, the alignment of accounting policies and the elimination of inter-entity transactions and balances is onerous.
- For the second issue, some have advocated that a set of financial statements should be prepared that includes all levels of government as this will provide useful information about the resources and obligations of the whole government.
- On the third issue, some have questioned whether a set of financial statements should be prepared for those entities that are part of the budget sector (as defined in Government Finance Statistics). The budget sector would typically include national, provincial and local government, but would exclude Government Business Enterprises and other commercial organisations owned by government. Some have indicated that such information is useful because it would enable a comparison of the budget to the financial statements of (most) entities that are funded by the government.

29. *Differential Reporting*

- The Board considered whether a different set of reporting requirements should be developed for smaller entities. The outcome of this resulted in the Position Paper *Differential Reporting in the South African Public Sector* (which is available on the ASB’s website). The Board’s position is that different reporting requirements should not be introduced. As a result, differential reporting has not been identified as a potential project on the list of local initiatives.

30. *Feedback on other projects*

- The Board has not identified any additional projects that should be undertaken as part of its local initiatives. Many of the local initiatives identified through the post-implementation review are underway, and are scheduled to be completed during 2016/17. As users of the Standards, it would be useful to receive feedback on any other local initiatives that should be undertaken by the Board.

Issue # 2 – Request for feedback on local initiatives

The Application of Materiality in the Preparation of Financial Statements

- (a) 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?

Reporting Information to Citizens and Whole-of-Government Consolidation

- (b) Based on the criteria identified in paragraph 12, and considering whether the issue is urgent:
- (i) Should projects be undertaken on developing Reporting Financial Information Citizens?
 - (ii) Should a project be undertaken on Whole-of-Government consolidation? If yes, what issues in particular should this project address?

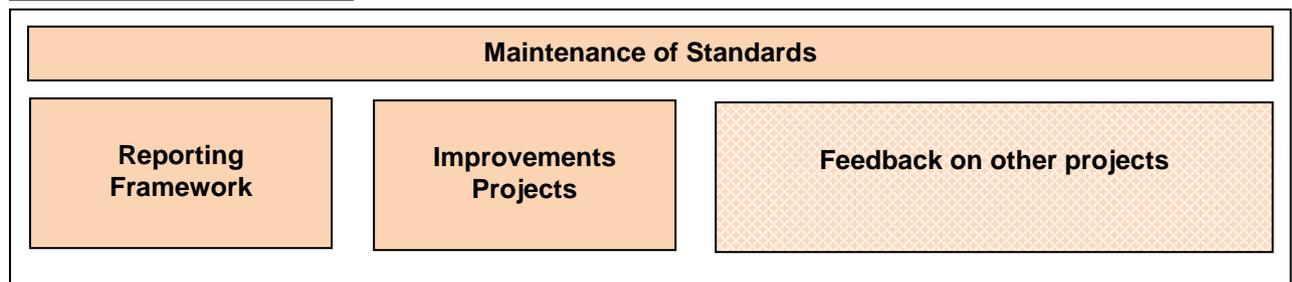
Feedback on other projects

- (c) Are there any other projects the Board should consider adding to its work programme?

Please provide a brief description of the issue or nature of the project.

Please evaluate the proposed projects using the criteria in paragraph 12, and consider the urgency of the issue.

Maintenance of Standards



31. *Reporting Framework*

- The Board issued Directive 5 *Determining the GRAP Reporting Framework* in the early stages of the development of the suite of Standards of GRAP. The purpose was to outline which Standards of GRAP and international pronouncements were to be used in the preparation of an entity’s financial statements. Since then, the suite of Standards has been completed, and the reliance on other Standards has been reduced to specialised areas such as tax, insurance and mining activities.

- The Board has continued to issue an updated annexure each year to outline the reporting framework for the upcoming reporting period, to include any newly effective or newly issued Standards of GRAP. A contributing factor in continuing to issue this annexure annually is due to the fact that the Minister of Finance has determined different effective dates of some Standards for different entities.
- Some stakeholders have questioned the need to continue with this practice and are of the view that Directive 5 could be withdrawn.

32. *Improvements Project*

- The Board undertakes a project on a bi-annual basis to make minor, non-urgent changes to the current suite of the Standards of GRAP.
- While some of these changes are made to align with similar improvements made to the IPSASs and IFRSs by the IPSASB and IASB respectively, some changes address areas where the current understandability or interpretation of the Standards could be clarified, or where minor inconsistencies exist. If issues are considered more than minor and require a principle to be changed, the Board undertakes a separate project to address the proposed changes.

33. *Feedback on other projects*

- The Board has not identified any other aspects of the Standards that require maintenance, i.e. general revisions to align, reduce inconsistencies, or require minor clarifications or improvement. It would be useful to receive feedback from the users of the Standards about any issues that have been identified that the Board should consider.

Issue # 3 - Request for feedback on maintenance of Standards

Reporting Framework

- (a) Do you believe that Directive 5 and the annual update of the annexures should continue?

Bi-annual Improvements Project

- (b) 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?

Feedback on other projects

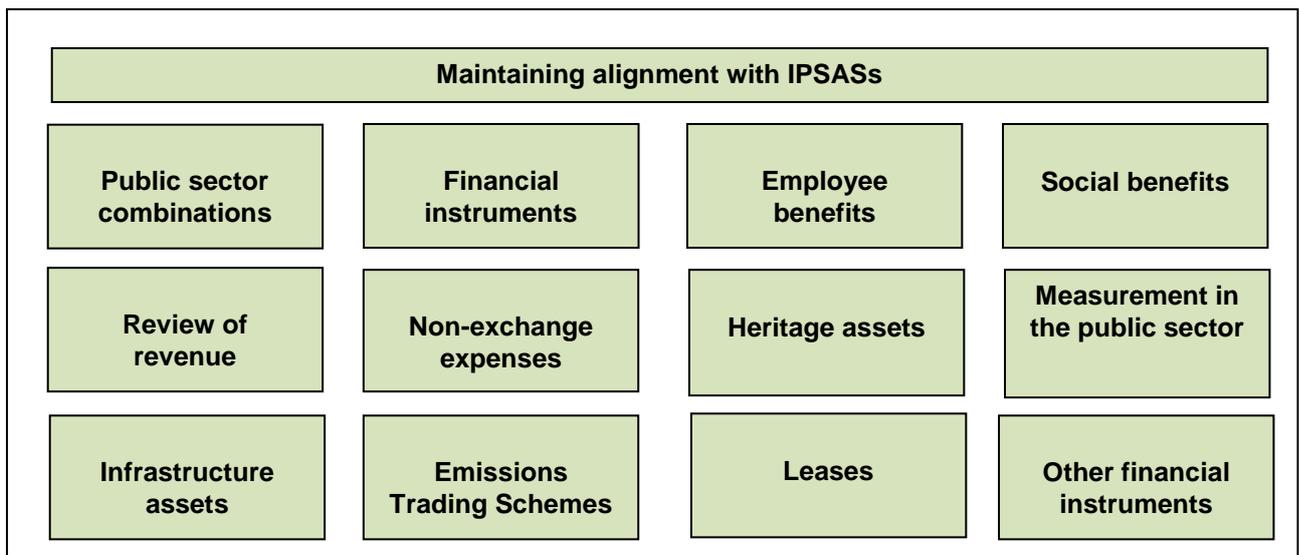
- (c) Are there any issues that the Board should consider to maintain the existing suite of Standards?

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.

Projects to maintain alignment with IPSASs

34. The projects identified as potential alignment projects with the IPSASs reflect the projects that the IPSASB has currently committed to undertake based on its work programme. Many of these projects are in various stages of development, while work on some is yet to commence. It would however be useful to understand from stakeholders what they see as being the key priorities should IPSASs be issued in these areas.



35. *Public Sector Combinations*

- The purpose of this project is to develop accounting guidance for restructurings of entities, or parts of entities, in the public sector. The IPSASB has broadly identified two types of transactions, i.e. acquisitions and amalgamations. Each type of transaction has different accounting treatments.
- The IPSASB’s work in this area is quite far advanced. It is in the process of developing a proposed IPSAS(s), which will be issued for comment in early 2016. Completion of this project is anticipated in late 2016 or early 2017.
- The Board has issued Standards of GRAP that outline principles to account for transfers of functions and mergers (GRAP 105, 106 and 107). Their application became mandatory for financial years commencing on or after 1 April 2015. No specific application issues have been identified regarding these Standards.

36. *Financial Instruments*

- The IPSASB issued three IPSASs dealing with financial instruments, which were based on the IFRS equivalents at the time, IAS 32, IAS 39 and IFRS 7. Since then the IASB has issued IFRS 9 *Financial Instruments*. As a result of the change in the private sector, the IPSASB will assess whether changes are required to its Standards to align them the private sector equivalents. As financial instruments are often “sector neutral” transactions, there are strong motivations for the IPSASB to not deviate from the principles in IFRS 9. The IPSASB will only commence work on this project in 2016.

- The Board has issued GRAP 104 on *Financial Instruments*. The Board completed the development of GRAP 104 some time before the IPSASB issued its Standards. While the guidance in GRAP 104 is also based on IAS 32, 39 and IFRS 7, it has been simplified quite significantly in terms of the approach, as well as the disclosures required.
- A few issues were raised with the Board when GRAP 104 became effective in 2013, particularly in relation to discounting. Since then, no significant issues have been identified.

37. *Employee Benefits*

- The IPSASB issued IPSAS 25 *Employee Benefits* in 2008 which was based on IAS 19. Since then, the IASB has made a number of changes to IAS 19, including the elimination of the corridor method, changes to the recognition of certain benefits, and where these changes are recognised. Again, as a result of changes to the private sector equivalent, the IPSASB will assess what changes it should make to its Standard. As these types of plans are often sector neutral, it is likely that the IPSASB will align its Standard with the equivalent IAS 19 unless specific public sector issues are identified. The IPSASB has commenced work on this project. It is likely that it will be completed in late 2016.
- The Board issued GRAP 25 which is based on the equivalent IPSAS. The Board however eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise. The Board also required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.
- GRAP 25 has been effective since 2013, and no significant issues have been identified

38. *Social Benefits*

- There is currently no guidance within the suite of IPSASs or Standards of GRAP on the recognition and measurement of social benefits. Social benefits are broadly defined as those goods, services or cash provided to individuals or households to protect them against social risks.
- The IPSASB has issued a Consultation Paper on proposals to recognise and measure social benefits. The next phase of the project will be developing a proposed IPSAS, which will again be issued for comment. This is likely to commence in 2016. Given that this is a complex and contentious topic, it is likely that this project will take some time to complete.
- As these benefits are material to governments, issuing guidance in this area is critical.

39. *Review of Revenue*

- The IPSASB has three IPSASs on revenue: revenue from exchange transactions, revenue from non-exchange transactions, and construction contracts. The revenue from exchange transactions and construction contracts were developed using the equivalent IFRSs at that time. Since then, the IASB has issued IFRS 15 *Revenue from Contracts with Customers* which combines the accounting guidance for these revenues into one Standard. IFRS 15 also changes the way in which revenue is recognised from a risks and rewards based approach to a performance obligation based approach.
- As a result of the change in approach in the private sector, the IPSASB considered that it may be feasible to use a single approach to recognise all types of revenue. The IPSASB has commenced initial research and deliberations on this issue. The first step in the project will be a Consultation Paper, and thereafter proposed IPSASs will be developed. Given the complexity of the issue, it may take some time to finalise the project (beyond 2017).
- The Board undertook a research project in 2014 on the implications of IFRS 15 and the possibility of a single approach to the recognition of revenue. It was concluded that although a single approach is not feasible, adopting aspects of IFRS 15 would be useful in the public sector. The Board agreed not to undertake any additional work in this area as the IPSASB initiated work in this area.

40. *Non-exchange Expenses*

- The project on social benefits aims to provide guidance for a large proportion of non-exchange expense transactions undertaken by governments. However, not all non-exchange expenses are within the scope of that project. In particular, goods, services or cash provided to other entities, including other public sector entities, as well as benefits that are available to all individuals and households (and hence do not protect against a social risk), are not within the scope of the social benefits project.
- The IPSASB is currently assessing the scope of the non-exchange expenses project. There is a clear intersection between this project and the revenue project. As a result, it may take some time to resolve issues between the projects.
- There is currently no guidance on such expenses in the local environment.

41. *Heritage Assets*

- The IPSASB has initiated a project on heritage assets. The primary focus of this project is assessing whether heritage “items” meet the definition of an asset. Initial work on the project has commenced. The initial phase of the project will be the development of a Consultation Paper, and potentially thereafter a proposed IPSAS. As a result, this project will take a significant period of time to complete (beyond 2017).
- The Board issued GRAP 103 *Heritage Assets* which has been effective since 2013. Concerns have been raised with the Board about whether the definition of an asset is met for these types of resources, as well as how values should be determined.

42. *Measurement in the Public Sector*

- The IPSASB issued its Conceptual Framework in 2014, which included specific guidance on how to measure assets and liabilities in the public sector. In particular, the IPSASB did not identify “fair value” as a measurement basis. As many IPSASs are converged with the IFRS equivalents, several references are made to “fair value” throughout the existing literature. The IPSASB has therefore agreed to undertake a review of its existing literature to align them with the principles in the Conceptual Framework. This work will commence late in 2016.
- The Board is currently in the process of assessing the impact of the IPSASB’s Conceptual Framework on its framework, i.e. *The Framework for the Preparation and Presentation of Financial Statements*. An analysis of the implications and the way forward will be considered by the Board in late 2015/early 2016.

43. *Infrastructure Assets*

- The IPSASB’s stakeholders indicated a need to provide more specific guidance on how to recognise and measure infrastructure assets given that these assets are complex by nature and have a significant impact on the statements of financial position of governments. Work on this project is expected to commence in 2017.
- Accounting for infrastructure assets has posed challenges in the local environment, particularly at municipalities. The Board has made a number of amendments to GRAP 17 *Property, Plant and Equipment* in an effort to assist entities with the recognition and measurement of infrastructure assets. The OAG is also in the process of developing guidance to assist with matters such as the componentisation of assets.

44. *Emissions Trading Schemes*

- The IPSASB has initiated a project to provide accounting guidance on emissions trading schemes from the perspectives of the administrator, the participant and traders. There are a number of such schemes in place, particularly in Europe, although other countries have long-established schemes. The IPSASB is working with the IASB to develop guidance as participants (usually private sector entities) and administrators (governments) are counterparties to the schemes.
- At present, there are no emissions trading schemes in place in South Africa. A carbon tax is instead imposed on certain goods and activities. Given that such schemes do not exist at present, the project may have less relevance locally.

45. *Leases*

- The IPSASB has issued IPSAS 13 on *Leases*, which is based on the IFRS equivalent. The IASB is in the process of revising its Standard. Although not currently reflected as a committed project on its work plan, the IPSASB has indicated its intention to revisit IPSAS 13 in the event that the equivalent IFRS is revised.

- The Board issued GRAP 13 on *Leases* which is based on the equivalent IPSAS. The Standard became effective in 2008. A number of concerns have been raised with the Board over the years about leases, in particular the identification of, and accounting for, finance leases.

46. *Other “Financial Instruments”*

- The IPSASB has been working on providing guidance on what have been loosely termed “public sector specific financial instruments” (although many of the items do not meet the strict definition of a financial instrument). These items include many assets and liabilities of the central bank such as monetary gold, notes and coin in circulation, special drawing rights and subscriptions with the IMF. Although significant work has been done in this area, it is likely that this project will only be completed beyond 2017.
- The South African Reserve Bank applies IFRSs rather than Standards of GRAP. If any guidance is developed locally, a key consideration would need to be how it could be prescribed given that the key users follow another reporting framework. Some of the items, e.g. those relating to the transactions with the IMF, may be recognised by the National Treasury. An assessment will however need to be undertaken.

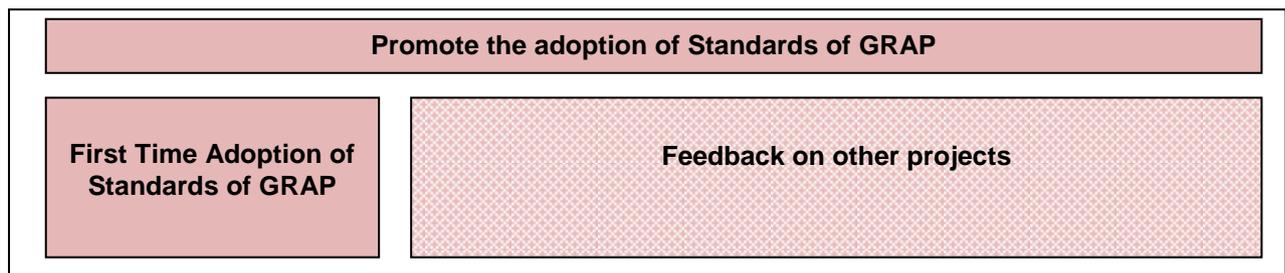
47. *Recommended Practice Guidelines*

- The ASB’s mandate is outlined in the PFMA and includes the setting of Standards of GRAP and related documents. Legislation also requires that the ASB promote reporting that facilitates transparent reporting on revenue, expenses, assets and liabilities, and perform any other function incidental to advancing financial reporting in the public sector.
- There has been a growing trend internationally, and in other jurisdictions, to develop reporting requirements for reports outside the public sector. Common areas include reporting on performance information, management commentary, as well as integrated reporting.
- The IPSASB has issued three Recommended Practices Guidelines dealing with: reporting on the long term sustainability of government finances, reporting on service achievements, and the preparation of a management commentary on the financial statements.
- The ASB has considered whether it should issue the RPGs locally. The results of initial engagements with stakeholders have indicated that the ASB should continue to set only Standards of GRAP for the financial statements. It was also indicated that the ASB should continue to engage stakeholders on the possibility of prescribing requirements for other reports. As a result, the ASB and the Board will not be issuing requirements for reporting outside the financial statements in the foreseeable future.

Issue # 4 - Request for feedback on projects to maintain alignment with 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?

Strategic objective 3 – Promote the adoption of Standards of GRAP



Situational analysis

48. Legislation requires that the ASB is required to set Standards of GRAP for entities in the public sector. These entities include:
 - (a) departments (including national and provincial and government components);
 - (b) public entities;
 - (c) trading entities (as defined in the PFMA);
 - (d) constitutional institutions;
 - (e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
 - (f) Parliament and the provincial legislatures.
49. Other entities also apply Standards of GRAP if permitted by their governing legislation, or at the direction of their Executive Authority. Public Technical Vocational Education and Training colleges apply Standards of GRAP at the direction of the Minister of Higher Education and Training.
50. Standards of GRAP are applied or are being adopted, by all the entities outlined above, with the exception of departments. No timeline has been provided by the National Treasury as to when the departments will adopt Standards of GRAP.
51. *First Time Adoption of Standards of GRAP:*
 - The Board developed transitional provisions for those entities that are applying, or are transitioning to, Standards of GRAP. The transitional provisions prescribed by the Board were based on the type of entity, the previous basis of accounting applied, and the capacity of the entity to implement. For the most part, these entities previously applied an accrual, or near accrual basis of accounting.

- National and provincial departments currently apply a modified cash basis accounting. Given the significant gap between the requirements of the Standards of GRAP and the modified cash basis of accounting, it may be necessary to develop transitional provisions that provide relief in more areas than those currently outlined in the existing Directives. As a result, the existing transitional provisions may be inappropriate for the departments.
- In addition, the IPSASB issued IPSAS 33 *First Time Adoption of Accrual Basis IPSASs* in 2014. IPSAS 33 outlines all the requirements and relief available to entities when they initially adopt accrual basis IPSASs. As entities transition to accrual based IPSASs from a variety of different points, including cash or modified cash, IPSAS 33 allows entities a greater degree of flexibility to adopt the Standards by offering voluntary relief in a number of areas. IPSAS 33 also requires clear disclosure about how the accrual based IPSASs are being adopted, which creates a high degree of transparency to users of the financial statements.
- The Board believes that it should undertake a project to revise and repeal the existing Directives by issuing a Standard on “First Time Adoption of Standards of GRAP”. The Board believes that such a Standard would not only be suitable for the adoption of Standards of GRAP by national and provincial departments, but would also create a universal set of requirements that can be used in future by an entity that adopts Standards of GRAP, irrespective of the type of entity or the previous basis of accounting applied. Issuing a Standard based on IPSAS 33 also means that there is closer alignment between the Standards of GRAP and IPSASs. This also means that the transitional provisions for any newly issued Standards of GRAP will be included in the First Time Adoption Standard (similar to the process followed by the IASB with IFRS 1) rather than the Directives.

52. *Feedback on other projects*

- Apart from the project to develop a single Standard outlining the first time adoption of the Standards of GRAP, the Board has not identified any other projects that may be needed to promote the adoption of Standards of GRAP. As users of the Standards, it would be useful to receive feedback about any issues that have been identified that the Board should consider.

Issue # 5 - Request for feedback on projects to promote the adoption of Standards of GRAP

First Time Adoption of the 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.

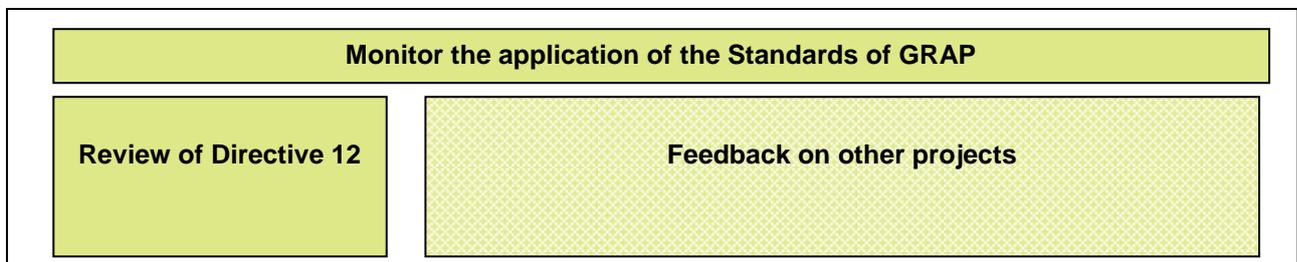
Feedback on other projects

(a) Are there any other projects that the Board should consider that relate to the adoption of the Standards of GRAP by entities?

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.

Strategic objective 4 – Monitor the application of the Standards of GRAP



53. The Board monitors the application of the Standards of GRAP through post-implementation reviews, as well as through mechanisms such as the Public Sector Accounting Forum and liaison with the OAG and AGSA.
54. Post-implementation reviews aim to assess whether the requirements of the Standards result in information in the financial statements that is relevant to users, as well as identify any issues preparers may experience in applying the Standards. The Board's initial post-implementation review, completed in 2014, focused on GRAP 16 *Investment Property* and GRAP 17 *Property, Plant and Equipment*. The feedback received was invaluable, and resulted in a number of additional projects being considered by the Board to address the issues experienced in practice.
55. The Board recently adopted a policy on undertaking post-implementation reviews. The policy notes that post-implementation reviews will not be undertaken on all Standards of GRAP given the resource implications. Instead, the Board will identify Standards where post-implementation reviews may be needed, particularly where issues are being experienced in practice.
56. The Board has not committed to undertaking post-implementation reviews during the 2016/17 reporting period. The Board intends undertaking a review of the application of Directive 12 *The Selection of an Appropriate Reporting Framework by Public Entities* after its effective date, which will be in the 2019/2020 reporting period.
57. It would be useful if areas could be identified where post-implementation reviews may be required.

Issue # 6 - Request for feedback on projects to monitor the application of the Standards of GRAP

For which Standards should the Board consider undertaking post-implementation reviews? It would be useful if the urgency to undertake a review of Standard is outlined in the response.

Annexure A - Snapshot of projects identified

Objective 1 – Set Standards of GRAP	Local initiatives				
	The Application of Materiality in the Preparation of Financial Statements	Reporting Financial Information to Citizens	Whole-of-government consolidation	Feedback on other projects	
	Maintenance of Standards				
	Reporting Framework	Improvements Project	Feedback on other projects		
	Maintaining alignment with IPSASs				
	Public sector combinations	Financial instruments	Employee benefits	Social benefits	
	Review of revenue	Non-exchange expenses	Heritage assets	Measurement in the public sector	
	Infrastructure assets	Emissions Trading Schemes	Leases	Other financial instruments	
	Objective 3 – Promote adoption of Standards	Promote the adoption of Standards of GRAP			
		First Time Adoption of Standards of GRAP	Feedback on other projects		
Objective 4 – Monitor application of Standards	Monitor the application of the Standards of GRAP				
	Review of Directive 12	Feedback on other projects			

Annexure B - Projects committed for the 2016/17 reporting period

Project	Exposure Draft	Final pronouncement
Local initiatives		
Standard of GRAP on living and non-living natural resources	Issued during 2015/16 reporting period.	Consider comments and issue final pronouncement in quarter 4 of 2016.
IGRAP on <i>Recognition and Derecognition of Land</i>	Issued during 2015/16 reporting period.	Consider comments and issue final pronouncement in quarter 2 of 2016.
Guideline on <i>Accounting for Arrangements Undertaken in Terms of the National Housing Programme</i>	Issued during 2015/16 reporting period.	Consider comments and issue final pronouncement in quarter 2 of 2016.
Exposure Draft on <i>Identifying Projects to Prioritise on the ASB's Work Programme</i>	Issued during 2015/16 reporting period.	Consider comments in quarter 2 of 2016.
Maintenance of existing Standards		
Amendments to Directive 5 – GRAP Reporting Framework for 2017/18	Issue proposed amendments in quarter 3 of 2016.	Consider comments and issue final amendments in quarter 4 of 2016.
Alignment with IPSASs or IFRSs		
Amendments to the <i>Framework for the Preparation and Presentation of Financial Statements</i>	Issue proposed amendments in quarter 3 of 2016.	Consider comments and issue final amendments in quarter 1 of 2017.
Interests in other entities (revision of Standards of GRAP on <i>Consolidated and Separate Financial Statements, Investments in Associates and Interests in Joint Ventures</i>)	Issue proposed amendments in quarter 2 of 2016.	Consider comments and issue final amendments in quarter 4 of 2016.
Improvements to the Standards of GRAP (alignment of Standards with IPSASs and IFRSs, identify any local issues that require clarification including review of the presentation of grants in the cash flow statement)	Issue proposed amendments in quarter 3 of 2016.	Consider comments and issue final amendments in quarter 1 of 2017.