THE SOUTH AFRICAN EXPERIENCE
Adaptation versus adoption

Accounting Standards Board

Adaptation versus adoption

- Adoption
- Adaptation
- The choice is yours?

Adoption

Why IPSASs?

- High quality, credible, internationally recognised standards.
- Users have relevant, transparent information to make decisions and hold officials to account.

Why IPSASs?

Users need information about an entity's:

- Financial position,
- Financial performance,
- Cash flows,
- Compliance with the budget,
- Efficiency and effectiveness of service delivery, and
- Sustainability.

Why IPSASs?

- IPSASs not just about financial statements → other reporting to complement and supplement financial statements.

Why IPSASs?

- Adopting IPSASs not just about accounting → tool to strengthen financial management.

Why IPSASs?

- Aligned with IFRSs where necessary (sector neutral topics).
- Deal with public sector specific issues, e.g. concepts level, compliance with budget, non-exchange transactions.
- Credible basis for reporting statistics.

Adoption of IPSASs

- Finalisation of set of first time adoption principles.
- Flexibility for jurisdictions to decide what is appropriate.
- Both mandatory and voluntary relief as applies irrespective of basis previously applied.

Adoption of IPSASs

- IPSAS 33 First time adoption of accrual IPSASs
- Voluntary relief includes 3 years to comply with certain Standards, no comparative information.
- Study 14 provides additional guidance.

Adaptation

Adaptation of IPSASs in SA

- Adapted IPSASs to develop local public sector specific Standards.
- Issued all IPSASs, but have additional standards to address local needs.
- Applicable to all entities in the public sector.
- All entities, except national & provincial departments.

Opportunities

- Develop standard setting skills
- Holistic reforms.
- Better information to make decisions:

  -knowing what assets entities own

  -resources needed for them

  -maximising revenue

Challenges

- Cost of compliance – High initially (often includes changes in system, processes and training costs) but offset by the benefit of better information & improvements in internal controls.
- Resistance to globalisation (the need to feel part of the process)

Challenges

Mainly related to assets:

- Determining “cost”.
- Compilation of asset registers.
- Understanding level of componentisation required for infrastructure assets.
- Annual review of useful lives, residual values, testing for impairment of infrastructure.

Challenges

Consolidation issues:

- Different accounting standards for some entities.
- Different accounting policies.
- Elimination of inter-entity transactions.

Challenges

Impact on smaller entities:

- Views that a different framework needed.
- Concluded that inappropriate → answer lies in implementation.

Challenges

- Uniform IT systems.
- Capacity and skill – ongoing initiatives, including increasing CA programmes.
- Migration from modified cash for departments – How to migrate?

Contact details

Email: info@asb.co.za

Website: www.asb.co.za