



# Meeting with FRSC

16 APRIL 2015

# Overview

- About the ASB
- Strategic priorities
- Overview of standard-setting process
- Developing Standards of GRAP



# About the ASB



# Who is the ASB?

- Public entity, reports to National Treasury
- 10 members appointed by MoF after consultation with Auditor-General
- Two roles: technical expert and governance
- Appropriate mix of skills (AGSA, OAG, Audit firms, municipalities, national/provincial)
- Individual capacity, except auditor and accountant-general
- Non-executive, independent, part time
- Remunerated for attendance of meetings (AGSA rates)

# Interaction between the ASB & key role players

Approve effective dates for  
Standards of GRAP

Minister of Finance

Responsible for **implementation** of the  
Standards of GRAP set by the Board

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National  
Treasury

**Audit** against Standards of  
GRAP set by the Board

Auditor-General

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ASB

*Representation on Board  
& Trilateral*

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**Set Standards of GRAP**

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# Role and function of ASB

- Promote transparency in and effective financial management of REAL
- Set Standards of GRAP as required by financial management legislation
- Prepare and publish guidelines and directives
- Recommend implementation dates to MoF after Auditor-General consulted

# Role and function of ASB

- Develop accounting standards for SA public sector which includes:
  - National and provincial departments and trading entities
  - Public entities
  - Parliament and legislatures
  - Municipalities and their entities
  - Constitutional institutions
  - GBEs (apply IFRSs/SA GAAP)



# Strategic priorities



# Legislative mandate

- Set Standards of GRAP for entities in all spheres of government
- Prepare & publish directives, guidelines & interpretations
- Recommend effective dates of implementation
- Perform any other function incidental to advancing financial reporting
- Take into account all relevant factors in setting Standards of GRAP incl. capacity to implement
- Promote accountability, transparency, and effective management of REAL.

# Policy mandate

- Other legislation or regulations may require certain entities to apply Standards of GRAP.
- The Auditor-General Directive, through the Public Audit Act, requires unlisted entities to apply Standards of GRAP.
- The Treasury Regulations indicate that national and provincial revenue funds should apply Standards of GRAP.
- In setting Standards for all the entities listed above the Board has made a policy decision that Standards of GRAP for Major Public Entities listed in Schedule 2 of the PFMA are IFRS.



# Planned policy initiative

- Major public entities, National and Provincial Government Business Enterprises should apply Standards of GRAP.
- Any other entity, other than a municipality, such as those whose ordinary shares are potentially publicly tradable on the capital markets should apply IFRS (proposed criteria based assessment by entity).



# Challenges

- Audit outcomes of municipalities
- Compliance with legislation
  - Revised treasury regulations
  - Use of official languages act
- Recruitment of the right staff
- Sustainable funding



# Strategic priorities

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- Set standards of GRAP
  - Influence development of international standards
  - Promote the adoption of the Standards of GRAP
  - Monitor the application of the Standards of GRAP
  - Communication with stakeholders
  - Realise the potential of our people
  - Promote good governance and financial management





# Set Standards of GRAP

- Constitutional responsibility
- Specific projects
  - Accounting by principals & agents
  - Land ownership
  - Housing guide
  - Materiality think piece



# Influence development of international standards

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- Projects
    - Review of conceptual framework
    - Accounting for social policy obligations
    - Non-exchange expenditure
    - Public sector financial instruments
  - Retention of seat on IPSASB Board




# Promote the adoption of the Standards of GRAP

- Consultation on implementation by national and provincial departments
- Reporting framework for GBEs
- Clarification of ASB mandate





# Monitor the application of the Standards of GRAP

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- Assist legislatures with implementation
  - Review annual reports of public FET colleges
  - Review AGSA general reports
  - Schedule PIR for 2017/18

# Communicate with stakeholders

- Strategically
  - Build strategic relationships
  - Identify implementation issues
  - Promote education & training
- Due process
  - Consultation on documents issued for comment



# Realise the potential of our people

- Retention of key staff
- Training & development of specialists



# Promote good governance and financial management

- Unqualified audit opinion
- Compliance with laws and regulations
- Achievement of performance objectives



# Potential risks

- Insufficient funding
- Resistance to change
- Loss of key staff
- Influence on international standard setting



# Overview of the Standard setting process

# Standard setting process

Phase I - Research and develop proposed Standard

Secretariat

Phase II – Focused stakeholder consultation and amendments to proposed Standard

Project groups (technical experts & subject experts)

Phase III – Approve Exposure Draft

Board - AGSA and OAG represented

Phase IV – Public consultation

Workshops (treasuries, professional bodies, PAGs, CFO Forums) roundtables

Phase V – Focused consultation on comments and amend Standard

Project groups (technical experts & subject experts)

Phase VI – Approval of Standard


Board - AGSA and OAG represented

Phase VII – Consult on effective date  
Propose effective date  
Develop transitional provisions

Trilateral parties

Phase VIII – Application & implementation (ASB: accounting forum, FAQs, review and amendment (improvements project))

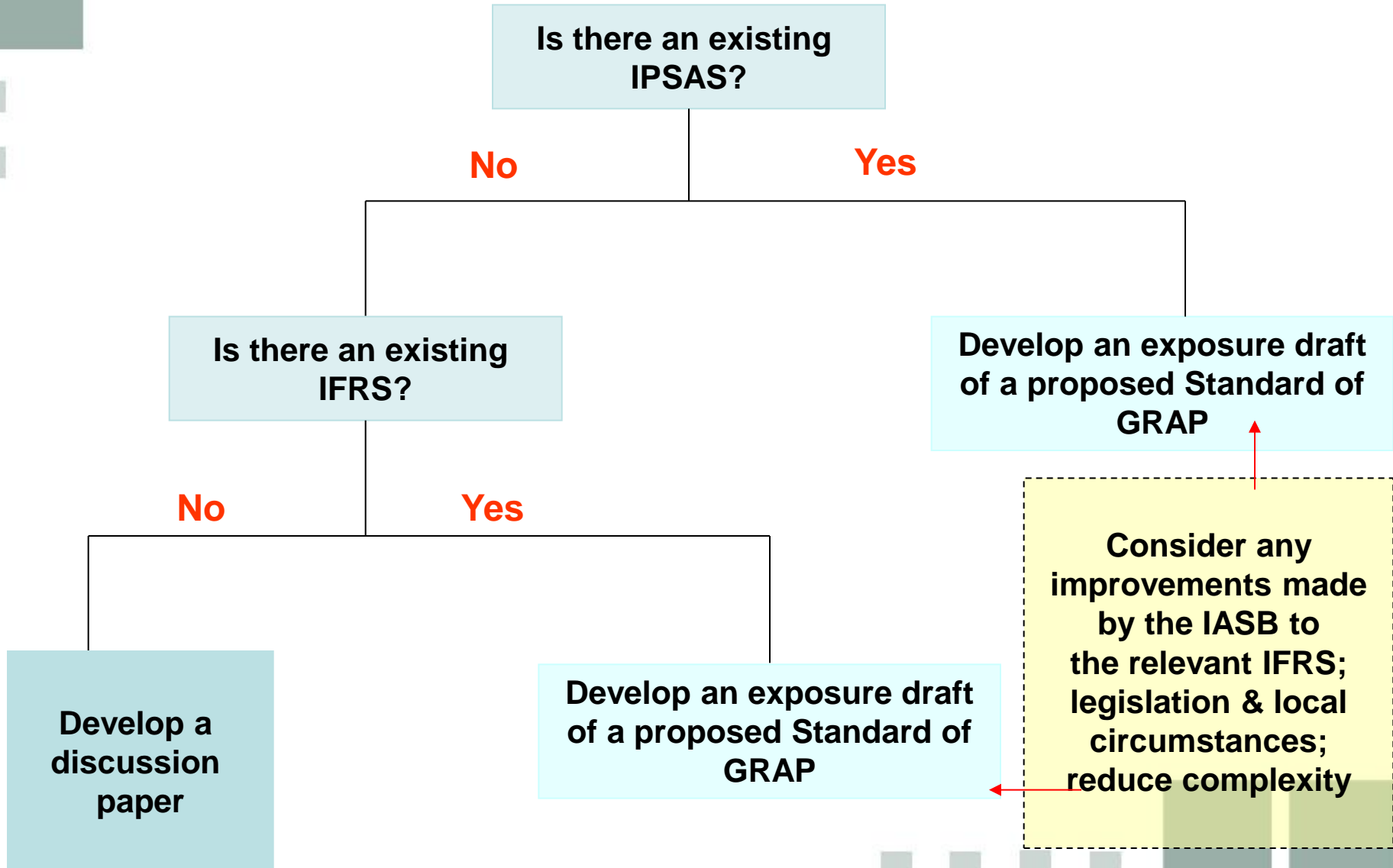
Secretariat



# Developing Standards of GRAP



# Setting Standards of GRAP



# The Standard-setting agenda

- Initially, consultation with the MoF → develop
- a “core” set of accounting standards
- Feedback from stakeholders
- Assess with trilateral parties (ASB, OAG, AGSA) on an ongoing basis
- Monitor developments at IPSASB & IASB
- Local projects for example: Accounting by Principals and Agents

# Standards development

Use IPSAS (or IFRS) as a basis - why?

Do we only consider IPSASs or IFRSs?

Deviations from IPSAS or IFRS when:

- revision of international standards affect IPSAS

- fundamental issues (local/public sector)

- elimination of alternative treatments

- legal framework

- disclosure requirements

- reducing complexity

One of the key differences between GRAP and IPSAS/IFRS is the way Standards adopted – Transitional provisions and transitional arrangements



# Standards development

- What does ASB consider during development of a GRAP Standard?

- PFMA requires ASB to consider best accounting practices and capacity of relevant institutions
  - Developing transitional provisions
  - Recommendation of effective date
  - Other projects ie Post-implementation review