



Reporting Frameworks for Government Business Enterprises for the year ended 31 March 2015

A number of questions have been raised in the past about the reporting frameworks that are to be applied by Government Business Enterprises (GBEs). GBEs which are those entities listed in schedules 2, 3B and 3D of the Public Finance Management Act (PFMA).

Historically, GBEs have applied Statements of GAAP issued by the Accounting Practices Board (APB). Some entities applied IFRSs where approval was obtained from the National Treasury to do so. With the establishment of the Financial Reporting Standards Council (FRSC) by the new CompaniesqAct, the APB was disbanded during 2012. The FRSC made a decision that it would not take over the issuing of Statements of GAAP and would instead adopt IFRSs. This potentially left GBEs that prepared their financial statements using Statements of GAAP without a valid reporting framework to apply.

The Accounting Standards Board (the Board), after consultation with its constituents, agreed that GBEs should retain the status quo regarding the reporting frameworks applied in preparing their financial statements. This means that those GBEs that applied Statements of GAAP in previous reporting periods should continue to do so, while those that applied IFRSs in previous reporting periods, should continue to apply IFRSs. Directive 5 *Determining The GRAP Reporting Framework* has been updated to reflect this decision, and a separate appendix added to the Directive outlining what Statements of GAAP constitute.

This position is however an interim position. When the Board finalises its research undertaken to determine which reporting framework GBEs should apply going forward, the Board will inform affected parties using the normal communication channels.

The National Treasury is required in terms of the PFMA to prepare a consolidation at a national level, which consolidates national departments, national public entities, constitutional and other institutions, as well as schedule 2 and 3B GBEs. The entities included in the consolidation apply different reporting frameworks: modified cash, Standards GRAP, Statements of GAAP, and IFRSs. As the consolidated financial statements are prepared using Standards of GRAP, GBEs need to ensure that appropriate GRAP-based information is available for consolidation purposes. The National Treasury issued a return/template which needs to be completed by GBEs, which outlines the GRAP based information that is required for consolidation. This means that GBEs apply Statements of GAAP or IFRSs in preparing their financial statements, but will need to make certain adjustments to this information when completing National Treasury's template to make it GRAP compliant for consolidation purposes. Any queries on the consolidation template should be sent to Thokozile Motsweni on Thokozile.Motsweni@treasury.gov.za.

In summary, GBEs continue to apply IFRSs or Statements of GAAP (whichever was historically applied) in preparing their financial statements for the year ended 31 March 2015. Any GRAP-based information required by the National Treasury is intended for consolidation purposes and does not change the reporting framework that needs to be applied in preparing the financial statements.

Any queries regarding this communication can be sent to info@asb.co.za, or by contacting the ASB on 011 697 0660.

This communication has been prepared by the Secretariat of the ASB and not the Board. Re-issued 13 March 2015.