

# Setting Accounting Standards in the South African public sector



Accounting Standards Board





# Overview

- About the ASB
- How we set accounting standards
- Overview of:
  - Due process
  - Setting our agenda
  - Alternative models for standard-setting






# About the ASB

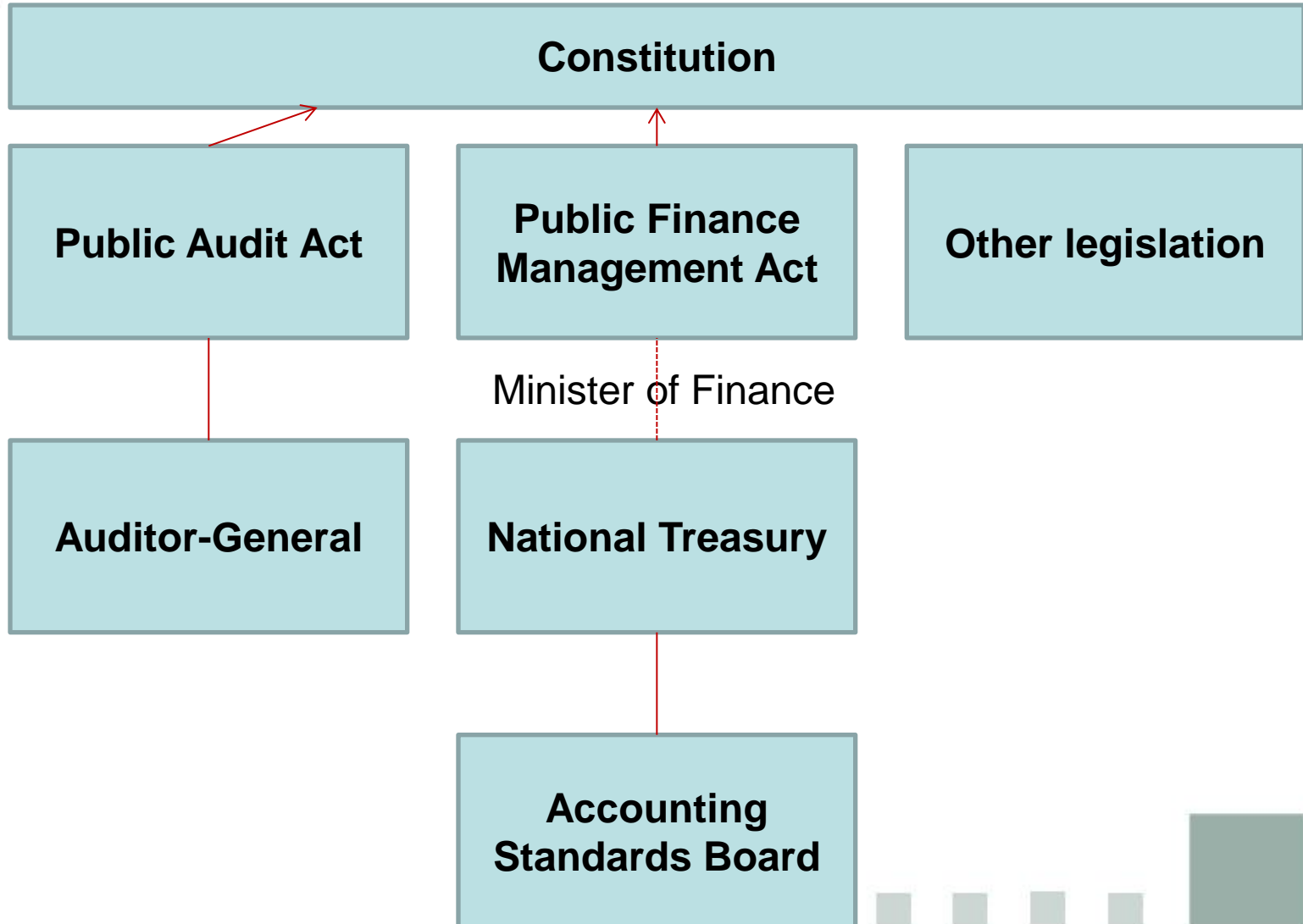




# Establishment and operations


- Constitution requires measures to ensure transparency and expenditure control by introducing grap
  - Chapter 11 of the PFMA established Board
  - Juristic person (public entity)
  - Wholly funded by transfer payment from National Treasury
  - Report to Minister of Finance, establish own operating procedures
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# Establishment and operations





# Functions of the Board

- Promote transparency in and effective financial management of REAL
  - Set Standards of GRAP as required by section 89 of the PFMA
  - Prepare and publish guidelines and directives
  - Recommend implementation dates
  - *Standards: Standards, Interpretations, Directives, Guidelines*
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# Functions of the Board

- Set Standards of GRAP for:
    - departments
    - trading entities (apply GRAP from 2013)
    - public entities (since 2009)
    - constitutional institutions (since 2009)
    - municipalities & their entities (cities 2008, others 2012)
    - Parliament and legislatures (2010)
  - GBEs apply IFRS
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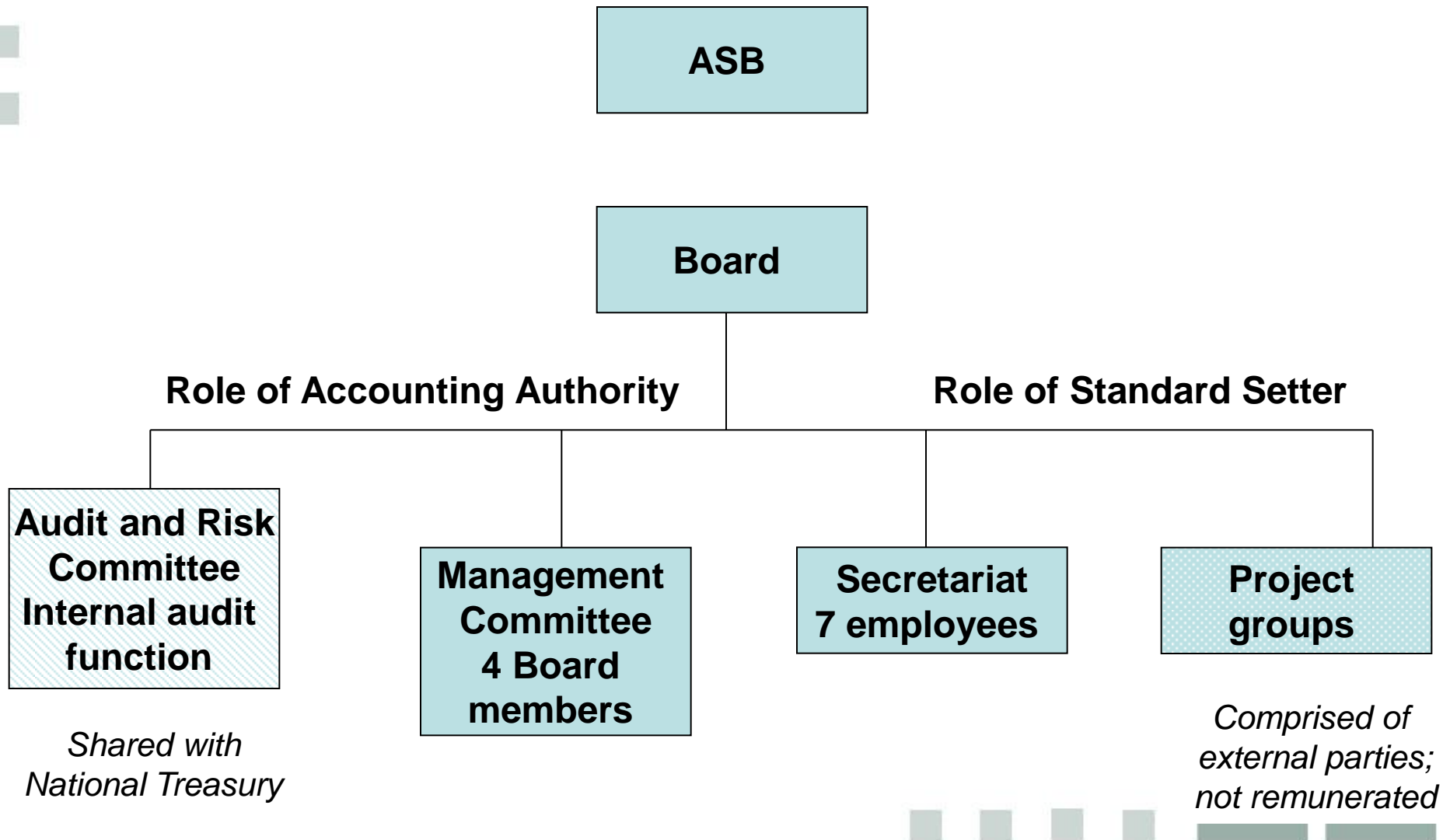


# Board members

- 10 members appointed by MoF after consultation with Auditor-General
  - Appropriate mix of skills (AGSA, OAG, Audit firms, municipalities, national/provincial government, other)
  - Election of chairperson
  - Individual capacity, except AGSA & OAG
  - Non-executive, independent, part time
  - Remunerated for attendance of meetings (using SAICA rates)
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# Internal structure



# 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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*Representation on Board  
& Trilateral*

ASB

**Set** Standards of GRAP


*Representation on Board  
& Trilateral*

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# Strategic objectives

- Set Standards of GRAP
  - Influence development of international standards
  - Facilitate adoption of Standards of GRAP
  - Monitor application of Standards of GRAP
  - Realising the potential of our people
  - Communicating with stakeholders
  - Managing the ASB as an entity
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## TOP FIVE ANNUAL PERFORMANCE PLAN TARGETS

- To issue twelve technical documents as identified in the work programme
  - To conduct ten accounting forum meetings to keep stakeholders informed
  - To complete one post-implementation review of a Standard of GRAP **Not funded & therefore no review planned**
  - To maintain an unqualified audit opinion and minimal internal audit issues
  - To submit written comment on all international documents issued for comment
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# HIGH RISKS

- Insufficient funding
- Loss of key staff





# How do we set Standards of GRAP?



# 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



# Development and adoption of Standards of GRAP







# Standards approved

- Equivalent of all IPSASs developed and issued by the Board.
- South African initiatives
  - GRAP 100 series
  - Reporting framework for GBEs
  - Post implementation reviews (when funding is available).



## Differences between our Standards and IPSASs

Topic	Difference
Heritage assets	No mandatory recognition, measurement of heritage assets under IPSASs
Employee benefits	Elimination of alternatives. No corridor method, full recognition of actuarial gains and losses in surplus or deficit
Financial instruments	Own standard developed, based on IAS 32, 39 and IFRS 7. Only 2 categories of financial assets, financial guarantees scoped out of Standard, some disclosure encouraged rather than required.
Borrowing costs	Aligned with IAS 23 rather than IPSAS 5
First time adoption of Standards	Developed separate transitional provisions and allowed “deemed cost” on initial adoption.
Segment reporting	Aligned with IFRS 8.
Statutory receivables	Own standard developed, based on IAS 32, 39, IFRS 7 and IAS 37.
Accounting by principals and agents	Own standard developed based on control



## Adoption of our Standards

Entity	Framework	Date
<i>National and provincial departments</i>	Modified cash	Adoption pending implemented of IFMS
<i>National and provincial entities</i>	Accrual	Since April 2009 <b>(previously applied local equivalent of IFRSs)</b>
<i>Parliament and provincial legislatures</i>	Accrual	Since 1 April 2010 <b>(previously applied modified cash)</b>
	Legislatures – accrual and modified cash	Varied <b>(previously applied modified cash)</b>
<i>Municipalities and their entities</i>	Accrual	Since 1 July 2008/2009 <b>(previously applied fund accounting)</b>
<i>National and provincial trading entities</i>	Accrual	From 1 April 2014 <b>(previously applied Statements of GAAP)</b>
<i>Public FET colleges</i>		From 1 January 2014 <b>(previously applied Statements of GAAP)</b>




**Questions?**





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