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## Message from the CEO - From compliance to integration

Bean counters - are great at ticking the boxes. In a recent forum, I heard bean counters being referred to as “persnickety”, i.e. fussy and focusing on trivial matters. In the fast-paced world of reporting, accountants and auditors need to move from being “compliance officers” to “integrators”.

With the move to sustainability reporting, integration and applying an integrated mindset, are key. As accountants we should be thinking beyond the financial statements to how the work we do fits into the entity’s plans and what was achieved.

When I reflect on what governments – including our own – already report, there is some overlap with what could potentially be “sustainability reporting” in the public sector. While the scope of sustainability reporting is evolving, it is likely to report on environmental, social and governance (“ESG”) matters. Many governments subscribe to the United Nations Sustainable Development Goals (UN SDGs) and design their “scorecards” to work towards achieving these goals by 2030. The scorecards usually result in non-financial measures being developed and reported in the annual report. The scorecards and performance measures are supported by an approved budget, with the planned and budget execution reported in the financial statements, and/or the annual report.

While governments may already report some of what could be considered “sustainability-like” information, what is missing is the integration with the financial and non-financial information. Regardless of how sustainability reporting develops in the public sector, entities could drastically improve the relevance of the information they provide to users by creating a clear “line of sight”, i.e. integration, between the information they report on their strategic/annual plans, their budgets, their financial results, and their performance measures.

To reflect a clear integration of ideas between planning and execution requires collaboration across an organisation. The annual report can no longer be the responsibility of the finance team alone. While the finance team in an organisation may have the necessary knowledge about the qualitative characteristics of reporting, a multi-disciplinary, cross-functional team is required to bring together the technical aspects related to budgeting, financial and non-financial performance reporting.

While this collaboration may seem obvious, I have observed that the same type of collaboration required for the financial statement preparation, is absent. A good example is the information required for assets in the financial statements. The most relevant information on assets will be produced when asset managers, engineers, the budget department and accountants collaborate. Finding out the right information from the experts and deciding how best to report it is critical to producing high-quality, credible financial information.

While reporting requirements will inevitably evolve, what we should focus on most is how our thinking and approach to preparing the financial statements and annual report can evolve. As we plan, budget and report going forward, think about how these can be better integrated to tell a story so that users of

the budget, financial statements and annual report, can start to think about sustainability and their role. We need to be deliberate about providing users with information that is relevant to them rather than providing “data” that ticks a box. In short, we need to move from mere compliance to being integrators.

## Preparing your financial statements and need help?

As another year-end looms, you may find yourself in need of assistance with an accounting issue. There are a number of resources available to you on both the ASB’s and the National Treasury’s website. Here is a list of resources that you may find useful:

- [FAQs](#) issued by the ASB staff – responses to topical accounting issues raised by practitioners.
- [Fact Sheets](#) issued by the ASB staff – guidance on key themes such as materiality, VAT, financial instruments, the comparison of budget and actual information, and more.
- Watch our updates on [YouTube](#).
- [Accounting Guides](#) published by the Office of the Accountant-General at National Treasury.

To keep up to date with developments during the audit cycle, subscribe to our Newsletter, and follow us on social media – LinkedIn, Twitter and Facebook.

## How much do you know about sustainability reporting?

There has not been a better month to talk about sustainability reporting in light of a potential increase in electricity outages - some of them due to bad weather affecting the coal supply to power generation units - flooding in the Kruger Park, Limpopo, Easter Cape and elsewhere, and probably many more examples that just do not reach national headlines. Based on recent events in South Africa there is no doubt that climate change is a reality.

Sustainability reporting is much more than just climate changes and related matters, potentially if we think about how sustainability should be considered by the public sector. The “S” in ESG (Environmental, Social and Governance) reporting is likely a more important focus for the public sector, although acknowledging that environmental and societal issues are linked.

You may have read about sustainability reporting developments internationally in the private sector and wondered how work is progressing. It is a fast-paced area and everyone with a reporting responsibility is wondering what they should be doing.

As our Board considers international best practice in developing Standards of GRAP, it is important for the ASB to stay close to what is happening internationally, so that we can respond accordingly. As the ASB, we set Standards of GRAP which are applied by public sector entities in preparing their [financial statements](#). At present, our mandate does not directly extend to sustainability reporting – particularly where this is outside the financial statements. Although we are not directly responsible for sustainability reporting at present, we are monitoring the work of the International Sustainability Standards Board (ISSB), the International Public Sector Accounting Standards Board (IPSASB), the International Federation of Accountants (IFAC) and other key role players closely.

We hosted an information session on sustainability reporting on the 21<sup>st</sup> of February 2023. If you missed the event, you can watch it now on YouTube by following this [link](#).

## IPSASB approves landmark Standards on revenue, transfer expenses and measurement

The IPSASB had a bumper meeting last week! The IPSASB approved five new and revised IPSAS, notably:

- A single IPSAS on *Revenue* was issued and will replace the three existing IPSAS – revenue from exchange transactions, revenue from non-exchange transactions and construction contracts. The move to a single IPSAS was in part driven by alignment with IFRS 15 on *Revenue from Contracts with Customers*. The new IPSAS will be effective for period beginning on or after 1 January 2026.

- A new IPSAS on *Transfer Expenses*. This Standard outlines principles on how to account for key government expenditure including inter-governmental and other inter-entity transfers. The IPSAS will be effective for reporting periods beginning on or after 1 January 2026.
- A new IPSAS on *Measurement*. Most often we hear from stakeholders locally about the complexity of measuring public sector assets and liabilities. The new IPSAS establishes how to measure assets and liabilities in the public sector including the use of fair value, and current operational value.

The IPSASB approved two revisions:

- Changes to the qualitative characteristics in the Conceptual Framework on materiality and faithful representation.
- Updates to the Recommended Practice Guidelines (RPGs) to provide guidance and examples on the application of the IPSASs and RPGs to sustainability matters.

The IPSASB discussed other important topics including sustainability reporting in the public sector and natural resources.

For a comprehensive update, read the IPSASB's [news](#).



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**Contact us**

E-mail : [info@asb.co.za](mailto:info@asb.co.za)

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