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Who do we prepare financial statements for?

As preparers, how often do we reflect on why we prepare financial statements and who are they meant for? The immediate reaction to these questions is usually that the financial statements are prepared because either the PFMA or MFMA requires it; and that the financial statements are prepared for the auditors.

While it is true that there is a legal requirement to prepare financial statements, there is a deeper underlying philosophy to their preparation. Fundamentally, the publication of a budget, financial statements and reports on service delivery is to ensure that the public is able to hold government accountable and participate in our democratic government. Did you even think to look at these documents – or encourage others to do so - when deciding who to vote for earlier in the year?

When preparing the financial statements, it is often easy to focus on complying with the requirements of the Standards to receive a positive audit outcome and forget about why we prepare them. The information in the financial statements is not prepared for the auditors. The auditors express an opinion on whether the financial statements fairly present the financial position, performance and cash flows of an entity. The auditors are not users of the information in the financial statements.

When compiling the financial statements, preparers need to think about what information users need to hold government accountable.

Information in the financial statements should:

- Focus on telling an entity's financial story.
- Highlight key issues that users will find relevant to hold entities accountable and make decisions.
- Be material – both in nature and amount - to users' decisions.
- Be simple and understandable.

Information in the financial statements should not include:

- Immaterial information and disclosures.
- Boilerplate or generic accounting policies, line items, notes and disclosures.
- Clutter, i.e. immaterial or irrelevant information that hides rather than conveys the importance of certain information in the financial statements.

The Board's recently issued [Guideline on *The Application of Materiality in Financial Statements*](#) is a helpful tool to guide preparers decisions when preparing the financial statements.

News from the Board

The Board met on the 4th of July 2019 and issued the following documents for comment:

- ED 176 on Proposed *Improvements to the Standards of GRAP (2019)*.
- ED 177 on Proposed *Transitional Provisions for the Standard of GRAP on Financial Instruments (Revised 2019)*.

The Board also approved its three-year work programme for the period 1 April 2020 to 31 March 2023.

[Access the meeting highlights to read about the Board's key debates and deliberations.](#)

Coming up

The Board will consider the following documents at its September 2019 Board meeting:

- Proposed GRAP Reporting Framework for 2020/2021.
- Initial discussions on the preparation of combined financial statements, i.e. where financial statements of different entities are combined but control is not the principle used for combination.
- Exposure Draft on the Post-implementation Review of GRAP 103 on *Heritage Assets*.
- Research Paper on results of the review of the amendments to GRAP 16 on *Investment Property* and GRAP 17 on *Property, Plant and Equipment*.

Open for comment

The following Exposure Drafts are open for comment:

Topic	Comment deadline
ED 174 - Proposed Directive on <i>The Application of Standards of GRAP by Public Entities that Apply IFRS® Standards</i>	31 July 2019
ED 175 – IPSASB's Consultation Paper on <i>Measurement</i>	13 September 2019
ED 176 – Proposed <i>Improvements to the Standards of GRAP (2019)</i>	31 October 2019
ED 177 – Proposed <i>Transitional Provisions for the Standard of GRAP on Financial Instruments (2019)</i>	29 November 2019

Planned events

The Secretariat of the ASB will be hosting roundtable discussions to discuss ED 174 and ED 175. If you are interested in joining these discussions, please email the staff member listed below:

Event	Date	Target audience
Proposed Directive on <i>The Application of Standards of GRAP by Public Entities that Apply IFRS Standards</i> e-mail: amandab@asb.co.za		
Roundtable discussion	16 July 2019	Preparers of entities applying IFRS Standards in accordance with Directive 12
Roundtable discussion	13 August 2019	Auditors of entities applying IFRS Standards in accordance with Directive 12
IPSASB's Consultation Paper on <i>Measurement</i> e-mail: tsholot@asb.co.za		
Roundtable discussion	20 August 2019	Firms, professional bodies and other interested parties
Roundtable discussion	21 August 2019	Public entities

News from the IPSASB

The IPSASB met in June 2019. The key highlights are as follows:

(a) The IPSASB approved the following Exposure Drafts for issue:

- Improvements to IPSAS (2019).
- Amendments to IPSAS 41 *Financial Instruments*. The amendments provide guidance on the accounting treatment of 'public sector specific financial instruments' like notes and coins in circulation, subscriptions to international organisations, monetary gold, and Special Drawing Rights held with the International Monetary Fund.

Both these Exposure Drafts will be issued for comment locally. Feedback received will be used to develop comment letters to the IPSASB.

(b) The IPSASB's other ongoing projects include deliberations on:

- Revenue from contracts with customers, as well as revenue with or without performance obligations.
- Non-exchange expenses.
- Heritage assets.
- Leases.

(c) The IPSASB approved the project brief to guide the commencement of its work on Infrastructure Assets. The project will aim to identify what specific issues exist with accounting for infrastructure assets (the IPSASB is already aware of issues related to measurement), and if or how the IPSASB could respond.

General

Next ASB meeting

The next Board meeting is scheduled for the 19th of September 2019. As always, observers are welcome to attend these meetings, but it should be noted that space is limited. In order to accommodate observers at meetings, interested parties are asked to complete the registration form available on the website.

Accessing documents issued by the ASB

Persons and organisations interested in the activities of the ASB should monitor the website, www.asb.co.za, or contact info@asb.co.za, for the release of the latest Exposure Drafts for public comment.

A GRAP Handbook with the latest amendments to the Standards of GRAP as well as other pronouncements issued by the Board is available from [Juta](#).

The latest versions of the Standards of GRAP, and translations of the Standards into isiZulu, Sesotho and Afrikaans are available on the ASB's website.

For ongoing information please visit us on our Facebook page, <https://www.facebook.com/AccountingStandardsBoard>, and "LIKE" us, and follow us on LinkedIn at <http://www.linkedin.com/company/accounting-standards-board>. And be sure to do the same on our Twitter account at [@ASB_SA](#).



Contact us

*Address: International Business Gateway, Midridge office Estate, Midrand, Johannesburg
Telephone : 011 697 0660
E-mail : info@asb.co.za*

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