

ASB WORK PROGRAMME 2021-2023

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ACCOUNTING STANDARDS BOARD

Overview

The Board's mandate is to set Standards of GRAP that promote transparency in the reporting of revenue, expenses, assets and liabilities of national, provincial and local government. In setting Standards of GRAP, the Board is required to use best practice locally and internationally, consider the local environment, and the capacity of entities to implement those Standards.

To date, much of the Board's work has focused on developing a comprehensive suite of Standards to deal with all government's transactions, as well as promoting the adoption of accrual accounting by government entities. The suite of Standards is substantively complete, and the only entities left to adopt accrual accounting are national and provincial departments and components.

So, what next?

To ensure that the Board's work remains credible, relevant to the South African environment and promotes the best practice in financial reporting, it consulted on its work programme for the next three years. Invaluable feedback was received during the process, which can be accessed on the ASB's website.

The result of the consultation process is the final work programme for the period 1 April 2020 to 31 March 2023, which is included as Table 1.

A change in focus...

During the period 2017 to 2020 the Board focused extensively on developing guidance on specific transactions and issues affecting the South African environment based on feedback received from stakeholders. This included providing guidance on:

- Accounting for landfill sites.
- Applying materiality in the preparation of the financial statements.
- The nature of adjustments to revenue already recognised in statutory arrangements.
- The application of Standards of GRAP by entities that apply IFRS Standards.

Research was undertaken into the reporting of information to citizens and whether the requirements of the Standards should be modified for 'small entities'. The Board reviewed the application of selected Standards of GRAP ('desktop reviews') to assess entities' compliance with the Standards as well as how practice is developing in certain areas. Research Papers have or will be published outlining the results of research and reviews.

Going into the next work programme cycle, more emphasis will be given to 'catching up' with developments internationally. There have been a number of Standards issued by, or ongoing developments at, the International Public Sector Accounting Standards Board which reflect the latest thinking internationally on accounting. The two key areas of focus going forward will be:

- Developing a Standard of GRAP on *Social Benefits*, as no guidance exists at present for cash or in-kind benefits paid to individuals and households by government to protect them against certain social risks. Social risks include unemployment, ill-health, injury while undertaking certain activities, etc.



- Revising the Standard of GRAP on *Leases*.

Apart from the focus on aligning with latest developments internationally, the Board will also undertake three reviews: one post-implementation review to assess whether a Standard is achieving its objectives, based on feedback from users, preparers, and auditors; and two desktop reviews of entities' financial statements. These reviews will focus on accounting by principals and agents, the cash flow statement, and the comparison of budget and actual information.

The Standards of GRAP are developed to provide users of the financial statements, i.e. the providers of resources to government and the recipients of services from government – with information to hold government accountable and to make decisions. However, much of the information provided in the financial statements may not be well understood by users of the financial statements. The Board will develop communication material for members of oversight structures (particularly members with finance responsibilities) to help them understand the role of the financial statements.

Challenges remain...

In the last work programme, there were a number of application issues that the Board needed to address. While stakeholders identified only a few application issues that needed to be addressed in the upcoming work programme, this does not mean that there are no remaining challenges related to the application of the Standards.

Stakeholders indicated that the ongoing application of the asset-related Standards is challenging. While no specific areas were highlighted, the results of the Board's work in other areas has highlighted ongoing issues with determining useful lives and residual values of assets, dealing with fully depreciated assets still in use, and measurement of assets. Many of these issues stem from entities' poor financial management and poor asset management. As the Standards of GRAP aim to reflect how entities have managed their assets, the absence, or poor quality of data in this area, will result in a low quality of information in the financial statements. Given that many of the issues relate to the financial management environment, no specific projects are planned in the upcoming three years, with the exception of heritage assets.

The Board will complete its post-implementation review of *Heritage Assets* in 2020. Several challenges have been raised about the recognition and measurement of heritage assets, as well as the accounting applied when heritage assets are used for service delivery or other objectives. Depending on the results of the review, amendments may be required to the Standard or other actions may be needed.

There will always be a need for a new Standard or amendments to existing Standards. Stakeholders indicated that more time needs to be allowed to prepare for the implementation of new Standards or amendments. The Board's policy is to have the pronouncement in the public domain for at least one year before making it effective. The complexity, pervasiveness and current practices at entities also affect the Board's decisions regarding effective dates and transitional provisions. Again, through review of practice amongst entities, it is clear that entities do not adequately plan for the implementation of new or revised requirements. This is evidenced by the poor disclosure provided in the financial statements of pronouncements that may be effective in future and have an impact on entities. Entities merely disclose a list of the



pronouncements rather than indicating what the impact of their application may be on the financial statements.

While there will be no specific changes to the Board's current approach to effective dates and transitional provisions, it will explore the possibility of 'piloting' new or revised Standards based on feedback received from stakeholders. The revisions to *Financial Instruments* will be considered as a test case of what a 'pilot' could include, what role players should be involved, as well as what other mechanisms (if any) could be explored.

Active communication

Many of the issues identified could be resolved through improving the way in which the ASB communicates. Apart from the FAQs that the Secretariat issues, weekly Newsletters are published. The Newsletter is free and registration can be done on the ASB's website. The ASB has also established a presence on LinkedIn, Facebook and Twitter.

This document has been prepared by the Secretariat of the ASB and not the Board.

Issued December 2019.

Table 1 - Work programme for 2021 to 2023

Project	Existing or new project	1 April 2020 to 31 March 2021	1 April 2021 to 31 March 2022	1 April 2022 to 31 March 2023
Objective – Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified				
Local initiatives				
Review of GRAP 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	2021-2023	Exposure Draft Q3 2020	Finalise GRAP Q2 2021	
Going concern and the liquidation basis of accounting	2021-2023		Commence	
Maintenance of Standards				
Reporting Framework	2021-2023	Issue	Issue	Issue
Improvements to Standards	2021-2023			Commence
Convergence with IPSASB and IASB				
Employee Benefits	2017-2020	Finalise Q1 2021		
Social Benefits	2021-2023		Commence	
Leases	2021-2023			Commence
Review of IPSAS 40	2021-2023			Commence
IFRIC 22				Commence

Project	Existing or new project	1 April 2020 to 31 March 2021	1 April 2021 to 31 March 2022	1 April 2022 to 31 March 2023
Promote adoption of Standards				
Transitional provisions for Social Benefits	2021-2023			Commence
Influence adoption of Standards of GRAP by departments	2021-2023	Ongoing	Ongoing	Ongoing
Reviews of Standards of GRAP				
Results of post-implementation review of GRAP 103 <i>Heritage Assets</i> and possible amendments	2017-2020	Review complete Q3 2020	Actions arising from review	
Results of review of Directive 12 and possible amendments	2017-2020	Review complete Q4 2020	Actions arising from review	
Post-implementation review of GRAP 109 <i>Accounting by Principals and Agents</i>	2021-2023		Commence	
Desktop Review of GRAP 2 <i>Cash Flow Statements</i>	2021-2023	Commence		
Desktop Review of GRAP 24 <i>Presentation of Budget Information in Financial Statements</i>	2021-2023			Commence
Objective - Undertake research to ensure Standards of GRAP respond to broader financial reporting needs				
Application of GRAP by Small Entities	2017-2020	Research Paper Q3 2020 and final proposals		



WORK PROGRAMME 2021-2023

Objective – Facilitate and encourage stakeholder engagement and support				
Communication material for users of financial statements	2021-2023		Commence	

Supporting material

ED 171 on *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2020 to 31 March 2023*. <https://www.asb.co.za/ed-171/>

Analysis of written comment received on ED 171 on *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2020 to 31 March 2023*. <https://www.asb.co.za/ed-171/>

Analysis of written comment received on ED 171 on *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2020 to 31 March 2023*. <https://www.asb.co.za/ed-171/>

Feedback Statement on ED 171.