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Do you know what information the public wants and how to report it?

The public is one of the key users of government information. They provide resources to, and receive services from, government and they need information to be able to hold government accountable. The Accounting Standards Board (Board) undertook research to identify the type of information the public needs and the way in which information should be reported to them. Specifically, the research set out to understand whether the information currently reported in financial statements meets the information needs of the public. If not, the Board wanted to understand what information the public needs, how they want it reported to them, and whether additional reporting requirements should be developed for entities to report information specifically to the public.

Although the research was conducted in 2018, some of the areas identified will be relevant when reporting on how resources are being deployed to respond to the COVID-19 pandemic. The public will be particularly interested to know how these resources are being spent and whether they will achieve the set objectives.

For purposes of the research, “the public” was defined as those individuals and businesses (or those who represent their interests) that provide resources such as taxes, levies and other fees to, and/or receive services from, government, and that have an interest in the work done by government with the aim of holding government accountable. The public includes, for example, taxpayers (individuals and businesses), indigent service recipients, and the media. Civil society organisations were also consulted as part of the project as they represent the public’s interests.

The results of the research deal with the following:

- What does the public want to know and from who do they want to know it?
- What are the characteristics of the information the public wants?
- What information is already available and is it useful?
- What can be done by entities to better report information to the public?

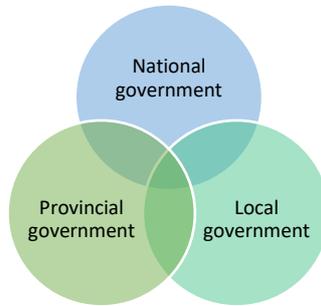
The Board has published the results of the research in a Research Paper on *Reporting Information to the Public* to assist entities to better report information to the public. Entities are encouraged to consider what they report, and how they can better package and communicate currently reported information, to meet the public’s needs.

What does the public want to know and from who do they want to know it?

The purpose of the research was to understand the public's information needs. Stakeholders were asked what type of information they need to hold public sector entities accountable and make decisions. There was a clear indication that the public needs the following type of information:

What do they need?	Why do they need it?
Information that links the budget, financial statements and performance information.	To "follow the money" so that they can understand how money was spent and what was achieved.
Information related to service delivery, especially on the provision of basic services (such as water and sanitation, healthcare, education, housing, and safety and security). Information on the cost of free basic services and how they are funded.	To understand where there are service delivery failures, reasons for those failures, and how they will be addressed. The effect that free basic services, if not sufficiently funded, could have on the provision of future services to all members of the public.
Information on capital expenditure, including the maintenance of assets used to deliver services such as infrastructure assets.	To understand entities' ability to continue providing services with their assets in future, and to identify potential service interruptions where entities maintain older assets instead of replacing them. To assess the progress on capital projects and to understand reasons for delays and over- / under-spending, as well as how these will be managed.
Information on financial viability, including forward-looking information.	To understand whether entities can service their debt and their ability to attract new investment. To know if entities can continue to provide services in future and the cost at which those services can be provided.

As can be seen from the type of information the public needs, it relates to services delivered by all levels of government. Certain groups who represent the interests of the public and communicate information to the public, such as civil society organisations and the media, can use and interpret information from all levels of government. However, the public can best hold entities accountable at a local government level, per ward and for specific projects. As the information needs of the public mature, they will be increasingly interested in receiving information from national and provincial government.



What are the characteristics of the information the public wants?

For the public to be able to locate and use information, it should be communicated to them in a certain way. The most notable characteristics of how information should be reported are that information should be:

- Simple and concise, so that information is understandable

Most members of the public do not have the skills and level of education necessary to use information in financial statements, or the wider annual report and integrated report. Therefore, information should be reported to them in a simple and concise way. To make information more understandable, it should be accompanied by simple explanations and should tell the public a story of how an entity has performed. It will further assist the public to understand information if it is presented in an interesting way, e.g. by using graphics, graphs and charts, and animations.
- Provided across multiple platforms and free of charge, so that information is accessible

Entities should carefully consider mechanisms they use to report information so that it is accessible to the public. The best way to reach the public is for entities to use a combination of platforms, e.g. websites, radio and television, face-to-face engagements, etc. Information should also be available free of charge and in a manageable format, e.g. a 2-page document that can be downloaded easily.
- Timely and regular, so that information is relevant

The public needs more in-year information, as audited annual information is historical and is provided too late for the public to take action.
- Reliable, so that information is trustworthy

The public needs information they can trust. This means entities should report quality information that is clear, accurate, unbiased, balanced and objective. For this reason, the public prefers audited information.

Although it may not be possible for entities to meet all the public's needs, they should try to find a balance with the way in which they communicate information.

What information is already available and is it useful?

Public sector entities may question why the public does not have the information they need, because entities already report information on various platforms to the public. The research asked this question and found that the response was that it is hard for the public to use the information that is currently available. There are two main reasons for this:

(1) It is not the right type of information

See the section on *"What does the public want to know and from who do they want to know it?"* Most of the information available:

- Is too aggregated.
- Does not tell a story of what an entity has done and does not have context.
- Is inaccessible to the public as it requires an internet connection and data to download.
- Is no longer relevant as it is historical information from the financial statements or annual report.

(2) Challenges prevent the public from accessing and using information

The challenges identified in the current environment include, for example:

The language used	Inaccessibility of information	Locating information	Unreliability of information
<ul style="list-style-type: none"> • Financial and other information reported by entities are technical and uses accounting jargon. • Information is often only reported in English. • These aspects make information hard for the public to understand. 	<ul style="list-style-type: none"> • Entities often report information in a way that requires money, skills and time from the public. This is because information is often reported on the internet, in a format that uses a large amount of data to be downloaded, and not user-friendly. • The public is unable to reach government officials to engage with them. Although municipalities may consult the public when they plan, they often do not engage the public on the results of their performance against the plan. 	<ul style="list-style-type: none"> • The public may struggle to find information, especially in a short period of time, because entities report across many different platforms. The public may further not know about the platforms where they can look for information. • The public does not always understand the roles and responsibilities of various levels of government and is therefore unsure about why information is reported in different places and how it fits together. 	<ul style="list-style-type: none"> • The reliability and quality of information is a key concern for the public, as evidenced by the poor audit outcomes reported in the Auditor-General's general reports. The public is especially concerned with the reliability of unaudited information, including in-year information.

What can be done to improve reporting to the public?

The Board assessed the results of the research to determine the next steps of the project. The Board specifically took note of the following:

- (1) Entities currently report different types of information across many platforms to the public.
- (2) There are wide-ranging legislative requirements for entities to report different types of information to oversight structures and the public.
- (3) The reliability of information currently reported by entities is low, as evidenced by poor audit outcomes.

Based on these observations, the Board decided not to introduce specific reporting requirements for entities to report information to the public. Instead, entities should consider what they report, and how they can better package and communicate currently reported information to meet the public's needs.

Entities are encouraged to use the research to better report information to the public.

The Board noted that a further benefit of publishing the research is that it will assist the public to know about the platforms that entities use to report information.

The Board agreed to revisit this project at a future date and will add it to the list of potential projects to consult on in its next programme consultation for 2024 to 2026.

How to access the Research Paper?

Access the Research Paper by following this link: (<https://www.asb.co.za/wp-content/uploads/2019/12/Research-Paper-on-Reporting-Information-to-the-Public.pdf>).

Events

At the ASB, we continue to promote social distancing. As a result, we will host our scheduled events for June 2020 virtually, and this is likely to continue into July. If any new information becomes available about the regulations for the risk adjusted strategy for COVID-19, we will communicate this in our Newsletter, website and social media.

The events for the various topics the ASB will be hosting are outlined below.

Participate in the review of GRAP 103 on *Heritage Assets*

The Board is undertaking a post-implementation review of GRAP 103. The purpose of the review is to receive feedback from preparers, users and auditors of financial statements about the implementation of the Standard. We will be hosting roundtable discussions where you can raise your views with the Board. The details are as follows:

Date	Event	Stakeholder group
10 June	Roundtable discussion	Session with CIGFARO/SALGA
30 June	Roundtable discussion	Public entities
6 July	Roundtable discussion	Session with CIGFARO/SALGA
7 July	Roundtable discussion	Preparers
9 July	Roundtable discussion	Provincial museums

How else can you get involved?

Views can also be submitted through the questionnaires on the ASB's website.

The deadline for comment is 15 September 2020.

Contact details?

If you are interested in attending an event, or have any questions about the project, please email amandab@asb.co.za or call on 011 697 0660.

Read more about ED 180 on *Post-implementation Review of the Standard of GRAP on Heritage Assets* and access the questionnaires: <http://www.asb.co.za/ed-180/>.

Participate in discussions on IPSASB's proposals for revenue and expenses

We will be hosting education sessions and roundtable discussions on the new Exposure Drafts issued by the IPSASB on potential changes to the revenue standards as well as issuing new guidance for government expenses. The Exposure Drafts are as follows:

- ED 181 on *IPSASB Exposure Draft on Revenue with Performance Obligations* (ED 70)
- ED 182 on *IPSASB Exposure Draft on Revenue without Performance Obligations* (ED 71)
- ED 183 on *IPSASB Exposure Draft on Transfer Expenses* (ED 72)

The education sessions will provide an overview of the proposals in the Exposure Drafts, while the roundtable discussions will focus on discussing issues to be included in the comment letter to the IPSASB on the Exposure Drafts. If you are interested in attending a session, please email elizna@asb.co.za.

Comment on the Exposure Drafts is due locally on 1 October 2020, and the documents can be accessed on the ASB's website by following this link: <https://www.asb.co.za/proposal-feedback/>

Date	Event	Stakeholder group
17 June	Education session – ED 183	All stakeholders
22 June	Education session – ED 181	Public entities, provincial treasuries, Parliament and legislatures
23 June	Education session – ED 182	Public entities, provincial treasuries, Parliament and legislatures
29 June	Education session – ED 183	Public entities, provincial treasuries, Parliament and legislatures
1 July	Education session – ED 181	Members of the Public Sector Accounting Forum
2 July	Education session – ED 182	Members of the Public Sector Accounting Forum
3 July	Education session – ED 183	Members of the Public Sector Accounting Forum
13 July	Education session – ED 181	Municipalities
14 July	Education session – ED 182	Municipalities
20 July	Education session – ED 181	Auditors, firms, technical specialists, professional bodies, and academics
21 July	Education session – ED 182	Auditors, firms, technical specialists, professional bodies, and academics
23 July	Education session – ED 183	Auditors, firms, technical specialists, professional bodies, and academics
11 August	Roundtable discussion – ED 181	Public entities, provincial treasuries, Parliament and legislatures
12 August	Roundtable discussion – ED 182	Public entities, provincial treasuries, Parliament and legislatures
13 August	Roundtable discussion – ED 183	Public entities, provincial treasuries, Parliament and legislatures
17 August	Roundtable discussion – ED 181	Auditors, firms, technical specialists, professional bodies, and academics
18 August	Roundtable discussion – ED 182	Auditors, firms, technical specialists, professional bodies, and academics

19 August	Roundtable discussion – ED 183	Auditors, firms, technical specialists, professional bodies, and academics
31 August	Roundtable discussion – ED 181	Members of the Public Sector Accounting Forum
2 September	Roundtable discussion – ED 182	Members of the Public Sector Accounting Forum
4 September	Roundtable discussion – ED 183	Members of the Public Sector Accounting Forum
14 September	Roundtable discussion – ED 181	Municipalities
15 September	Roundtable discussion – ED 182	Municipalities

Newly issued Frequently Asked Questions

The ASB issued new FAQs in May and June 2020. The FAQs are issued by the Secretariat of the ASB and not the ASB Board. The new FAQs deal with the following topics.

How do statutory receivables arise?

Stakeholders have raised questions about how to assess whether a receivable arises from a contract or a statutory arrangement such as legislation, supporting regulations, or similar means, e.g. ministerial directives, and municipal by-laws. The questions arose because many activities undertaken in the public sector are regulated by legislation, supporting regulations or similar means.

FAQ 10.1 explains that entities need to analyse transactions by considering whether:

- (a) The individual transaction between the entity and the counterparty is *initiated* as a result of legislation, supporting regulations or similar means, OR whether it is *governed* (i.e. regulated) by legislation or similar means but *initiated* by a contract. For example:

Electricity distribution and the tariffs charged are governed by legislation, supporting regulations or similar means, but the actual provision of electricity by a municipality to a consumer is governed by a contractual arrangement.

- (b) The transactions are compulsory or not. Contractual arrangements are voluntary transactions between parties, while statutory arrangements are compulsory.

What is the interaction between GRAP 11 on Construction Contracts and the Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme?

Entities are required to present and disclose information on revenue from exchange and non-exchange transactions separately. FAQ 6.12 explains the classification of revenue, specifically conditional grants received by municipalities, when they are project developers in housing arrangements.

Other changes to the FAQs

The existing FAQs on the GRAP reporting framework have been updated, and a number of archived FAQs have been reinstated.

The FAQs can be accessed on the ASB's website by following this link:

<https://www.asb.co.za/frequently-asked-questions/>

News on applying Standards of GRAP

New Standards applicable to trading entities

Trading entities will be required to apply new Standards of GRAP from 1 April 2021. In terms of Gazette No. 43401 issued on 4 June 2020, trading entities will be required to apply the following Standards:

- GRAP 20 on *Related Party Disclosures*.
- GRAP 32 on *Service Concession Arrangements: Grantor* (and its related Interpretation).
- GRAP 108 on *Statutory Receivables*.
- GRAP 109 on *Accounting by Principals and Agents*.
- GRAP 110 on *Living and Non-living Resources*.

The Standards and other useful materials can be accessed on the ASB's website:

www.asb.co.za.

Reporting frameworks for traditional authorities

The ASB has been asked over the years by stakeholders to develop reporting requirements for traditional authorities. The development of reporting requirements for traditional authorities is however not within the ASB's mandate.

Last year, the Traditional and Khoi-San Leadership Act, Act No. 3 of 2019 was promulgated. The Act indicates that the Minister of Co-operate Governance and Traditional Affairs in consultation with the Minister of Finance must - after having consulted the Premiers in each Province - gazette the norms and standards to be applied in the management of the financial affairs of the councils governed by the Act.

The Reporting Frameworks at a Glance has been updated on the ASB's website to reflect this change. Access the document here: <https://www.asb.co.za/wp-content/uploads/2020/04/Reporting-Frameworks-at-a-Glance-202021-22042020.pdf>.

Tips to improve the quality of your entity's financial statements

It's the time of year again when entities are in the process of compiling their financial statements and preparing for the upcoming audit.

The ASB has identified areas where preparers can improve the quality of their financial statements. These include:

- Applying materiality in preparing the financial statements.
- Reviewing and amending accounting policies so that they are relevant to the entity's activities.
- Disclosing information on judgements, assumptions, estimates and uncertainties.

Applying materiality in preparing the financial statements

The financial statements should provide users of the financial statements with relevant information that helps them to hold entities accountable and make decisions. Materiality helps preparers to determine what information will be relevant to users.

Materiality should be considered when formulating an entity's accounting policies as well as deciding what information to present and disclose in the financial statements.

The Standards of GRAP only apply to material items. This means that an entity need not apply:

- The recognition and measurement principles in the Standards of GRAP when formulating an accounting treatment for an item that is immaterial. An entity develops its own accounting treatments for immaterial items. Examples include not applying the asset-related Standards to low value assets or transaction costs that are immaterial. GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* provides guidance on the development of accounting policies.
- The presentation and disclosure requirements of the Standards if the effect of applying them is immaterial. For example, an entity may not separately present a type of asset on the face of the statement of financial position as required in GRAP 1 on *Presentation of Financial Statements* if it is immaterial.

Materiality is considered from both a quantitative and qualitative perspective. Thresholds and criteria should be developed to clearly identify what is material for an entity, as well as ensuring that consistent decisions are made by preparers when applying the Standards of GRAP to that entity.

Developing accounting policies and deciding what to present and disclose in the financial statements require judgement. Preparers should document their materiality considerations as well as discuss them with the relevant oversight structures, such as the audit committee.

The ASB's Guideline on *The Application of Materiality to Financial Statements* provides guidance on how to apply materiality: <http://www.asb.co.za/wp-content/uploads/2019/04/The-Application-of-Materiality-to-Financial-Statements.pdf>.

Reviewing and amending accounting policies

Entities' accounting policies frequently repeat the principles in the Standards without explaining how they have been applied by the entity, and often the financial statements include policies for transactions or events not undertaken by the entity.

Accounting policies need to be reviewed and amended so that they:

- deal with transactions undertaken and events that occurred at an entity, or judgements and assessments that have been applied by management; and
- explain how the principles in the Standards have been applied by an entity in preparing their financial statements.

The financial statements should also only include those accounting policies that are significant to an entity. An entity could, for example, present its significant accounting policies in the financial statements and include a complete list of all accounting policies on its website. This could be explained in the financial statements.

Examples of what can be done to improve existing accounting policies are included in the annexure (<https://www.asb.co.za/wp-content/uploads/2020/06/Annexure.pdf>). FAQ 3.2 issued by the Secretariat should also be consulted.

Disclosing information on judgements, assumptions, estimates and uncertainties

Entities are required to provide information where judgement, assumptions, and estimation uncertainty are applied in the preparation of the financial statements. This is an area where entities have historically provided either no, or poor, information. Given the uncertain environment within which entities will be preparing their financial statements as a result of the COVID-19 pandemic, there is an increased need to provide this type of information to users of the financial statements.

Entities should disclose information on estimates and uncertainties that require management's most difficult, subjective or complex judgements.

GRAP 1 requires the following information to be disclosed in the notes to the financial statements, specifically where there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year:

- Key assumptions concerning the future, for example, assumptions such as projected cash flows and discount rates used in impairing assets.
- Other key sources of estimation uncertainty at the reporting date, for example, where unobservable data is used to measure assets at fair value.

For the affected assets and liabilities, the notes should also include details of: (a) their nature; and (b) their carrying amount as at the reporting date.

When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, an entity discloses that material adjustments may be required in the next financial year as a result of changes in assumptions used at the reporting date.

Accounting implications of COVID-19

Apart from the issues discussed above, preparers should carefully consider the effects that COVID-19 may have had on the accounting treatment of assets, liabilities, revenue and expenses at the reporting date. The ASB's document discusses issues that preparers may need to consider in preparing their financial statements for the year ended 31 March or 30 June 2020. Access the document by following this link: <https://www.asb.co.za/covid-19/>.



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