
A S B
ACCOUNTING STANDARDS BOARD

STATEMENT BY THE MINISTER

As we start the Seventh Administration, there is much work to do and rebuilding the economy will be a critical task. Promoting both economic growth and increased investment will be key. These require that investors – whether entrepreneurs, lenders, development agencies, scarce and skilled labour, and others - have the relevant, credible, and transparent information to make financial decisions. When markets and investors have accurate and timely information, they behave efficiently. The work of the Accounting Standards Board (ASB) is vital to providing markets and investors with the information they need about the public sector's finances.

As the need for sustainable investment grows so too does the importance of the role fulfilled by the ASB. Increasingly, financial statements are being seen as just one way to assess entities' sustainability.

However, when these financial statements are combined with complementary information about the progress of the government's sustainable development goals and related metrics, a fuller picture of the government's performance emerges. This, among other things, allows policymakers and investors alike to identify areas of improvement and opportunities to better the lives of our country's citizens.

Just as co-operation and collaboration is at the centre of the newly-established Government of National Unity (GNU), so too is co-operation and collaboration needed across the finance eco-system. This is particularly the case when it comes to professionalising the public sector. While the ASB is not directly responsible for capacity-building, some of its initiatives support the work of the National Treasury and others aimed at building competent finance professionals.

Given the role of the ASB in the economy, capital markets, and improving the public financial management of government, I look forward to being part of shaping the ASB's strategy and work as we begin a new journey.

Honourable Minister Godongwana

Minister of Finance

STATEMENT BY THE BOARD

The success of the Seventh Administration rests with the Government of National Unity. The key word is “unity” – the concept of ‘being together’ or ‘being in agreement’. Strong public financial management (PFM) depends on a system of credible and robust organisations that each make a unique contribution to the PFM system. Working together with organisations that share a similar purpose with the ASB will be a key activity over the next five years.

There are several organisations that have some responsibility for financial reporting in the sector. For example, the ASB sets financial reporting Standards, the Office of the Accountant-General supports the implementation of the Standards, the Auditor-General of South Africa ensures the principles in the Standards are applied, and professional bodies provide support to the financial professionals who apply the Standards. Each organisation has its own team of experts, who operate within specific constraints – usually the amount of time they have available to dedicate to issues, the requisite skill and experience, and lastly, financial resources. While there is no doubt that each team and their respective organisations add value on their own, working together as a collective creates ‘’critical mass’, and can achieve far more than any one individual entity.

Building a capable state is a key objective of not only the National Development Plan, but has been a key focus of the new Administration since its inception. Given the current level of maladministration and poor financial management, building a capable state will require action by every entity in the PFM ecosystem. It is through collective collaboration and co-operation that we will be able to achieve capable professionals; capable organs of state; a capable, developmental state; and functioning democracy.

I look forward to working with the new Board and our trilateral partners as we work to achieve a better state.

Mr Andrew van der Burgh

Chairperson of the Board

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

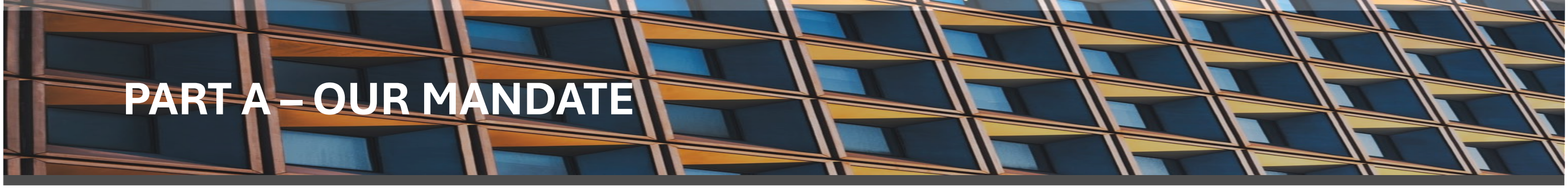
- Was developed by the management of the ASB under the guidance of the Board
- Takes into account all relevant policies, legislation and other mandates for which the ASB is responsible.
- Accurately reflects the impact and outcomes which the ASB will endeavour to achieve over the period 2026-2030.

Approved by:

Mrs Jeanine Poggiolini, Chief Executive Officer

Mr Andrew van der Burgh, Chairperson of the Board

Honourable Minister Godongwana, Minister of Finance



PART A – OUR MANDATE

LEGISLATIVE MANDATE

Section 89 of the Public Finance Management Act (PFMA) sets out the functions of the Board

- Set Standards of GRAP for the financial statements of institutions in all spheres of government
- Prepare and publish directives, guidelines and interpretations concerning the Standards of GRAP
- Recommend to the Minister effective dates for the implementation of Standards of GRAP for the different categories of institutions to which these Standards apply
- Perform any other function incidental to advancing financial reporting in the public sector
- Consider all relevant factors in setting Standards of GRAP
- Set different Standards of GRAP, where necessary, for different categories of institutions to which these Standards of GRAP apply
- Promote accountability, transparency, and effective management of revenue, expenditure, assets, and liabilities of the institutions to which these Standards of GRAP apply

The entities that apply Standards of GRAP

1.1 In terms of the PFMA, the Board must determine GRAP for the following institutions (called "entities" in this document:

- departments (including national, provincial and government components);
- public entities;
- trading entities (as defined in the PFMA);
- constitutional institutions;
- municipalities, municipal entities, or any other entities under the ownership control of a municipality and, boards, commissions, companies, corporations, and funds; and

- Parliament and the provincial legislatures.

1.2 The ASB's key activity is setting Standards of GRAP and related pronouncements. The standard-setting policies are outlined in the Due Process Handbook.

1.3 Although the ASB develops Standards of GRAP for entities in the public sector, the Board approved the application of IFRS® Accounting Standards issued by the International Accounting Standards Board® (IASB) for:

(a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities;* and

(b) entities under the ownership control of any of these entities.

1.4 While the PFMA sets out the entities for whom the Board sets Standards, other legislation may require or permit the application of Standards of GRAP. As an example, the Minister of Higher Education and Training prescribes the reporting framework for tertiary learning institutions. The Minister of Higher Education and Training approved the use of Standards of GRAP by public Technical Vocational and Educational Colleges (TVET) and Continuing Educational Colleges (CET).

INSTITUTIONAL POLICIES AND STRATEGIES

Our future – make it work

South Africa belongs to all its peoples.

We, the people, belong to one another.

We live the rainbow.

Our homes, neighbourhoods, villages, towns and cities are safe and filled with laughter.

Through our institutions, we order our lives.

The faces of our children tell the future we have crafted.

National Development Plan 2030

2.1 The government's National Development Plan (NDP) 2030 is titled **"Our future – make it work"**.

2.2 The NDP explains that accountability is essential to democracy. The financial statements are a key part of the accountability chain. Having robust, credible accounting standards which are applied when preparing the financial statements, is critical to hold entities accountable and for users to make financial, policy and economic decisions.

2.3 Key to producing financial statements that are valuable to the accountability chain, are capable state institutions. While the ASB's mandate is not directly linked to capacity building, it is important that the accounting standards are appropriately applied by preparers, and the users of financial statements understand the information they receive. State institutions could be seen as both preparers and users of the financial statements - for example, a treasury could use the Standards of GRAP to prepare its financial statements; but they could also be the users of the financial statements when they review public entities' financial statements when they make budget allocations or assess how past resources were spent. The ASB acknowledges the role it can play in building capable state institutions by communicating the role, purpose and use of the Standards of GRAP to a wide range of stakeholders.

2.4 The ASB's policies and strategies contribute to the achievement of the following priorities in the NDP 2030:

- Realise a developmental, capable, and ethical state that treats citizens with dignity.
- Play a leading role in continental development, economic integration and human rights.

2.5 The ASB's standard-setting activities are driven by a three-year work programme. The work programme is developed after consultation with the ASB's stakeholders. The ASB consulted on its work programme for the period 1 April 2023 to 31 March 2026 ("2024-2026 work programme"). The theme for the work programme is "Taking Stock". As the theme implies, the ASB spent time ensuring the Standards are used appropriately by preparers of the financial statements, and that the information in the financial statements is utilised by citizens, oversight structures and other users of the financial statements to hold government accountable and to make decisions.

2.6 The consultation on the new work programme for the period 2027 to 2030 will be undertaken in the latter part of 2024. The theme is “Financial Reporting for a Capable State”. A key output of the project will be the specific projects and activities that should be executed to ensure the ASB’s work is relevant to the South African environment.

RELEVANT COURT RULINGS

2.7 In recent years, entities have challenged their audit outcomes by turning to the Courts. In at least one instance, the application of the Standards of GRAP was the subject of a Court case. This Court case focused on the Standards and other pronouncements that should have been applied by entities in a reporting period. The entity that brought the Court application was unsuccessful. Higher Courts were petitioned for an appeal to be heard. To date, these petitions have been unsuccessful.

2.8 While the Court cases to date have primarily been between entities and the auditors, the reporting framework (whether Standards of GRAP, IFRS or the Modified Cash Standard) is often the subject of the litigation. Apart from the legal risk affecting the ASB, legal challenges involving the AGSA and ASB impair the credibility, independence and objectivity of two key public sector institutions in the accountability “eco-system”.

2.9 Apart from impairing the credibility of the institution, legal challenges unnecessarily consume the already scare resources of state institutions. The resources can be better spent on serving the public interest.

VISION, MISSION AND VALUES

VISION

Strengthen democracy in South Africa through relevant, transparent financial reporting

MISSION

Develop robust financial reporting standards that can be implemented by government, so that users of financial reports can hold government accountable and make sound financial, policy and economic decisions.

VALUES

We maintain a high standard of professional ethics.

We act in the public interest, which means that we act with integrity and objectivity in our deliberations, decisions and actions, and we are seen to be independent.

We consult widely and encourage public participation in our activities.

We develop standards that promote openness and transparency in public financial management.

We promote a culture of learning.

We embrace diversity, and value teamwork and collaboration.

We optimise the use of our resources by focusing on activities that are most relevant to stakeholders.

SITUATIONAL ANALYSIS

3.1 The situational analysis is informed by a PESTEL analysis.

Political environment

3.2 The ASB's mandate and operations are governed by the PFMA, and some of the decisions about the adoption and implementation of the Standards of GRAP are made by the Minister of Finance. The ASB also reports administratively to the National Treasury. This means that it is important to have a stable environment within the finance portfolio.

3.3 The return of the Minister and Deputy Minister of Finance, along with the permanent appointment of the Director-General of National Treasury and the Accountant-General, provide a stable environment and continuity in leadership. This means that there is some awareness of the ASB and its role. This awareness can be leveraged to raise the profile of the ASB and its work.

3.4 There are a few key matters that will affect the ASB's strategy over the next five years. These are discussed below.

Adoption of Standards of GRAP by all entities in the public sector

3.5 The Minister of Finance (Minister) determines the implementation dates for the Standards of GRAP based on submissions made by the ASB. The submissions to the Minister are developed in consultation with the Office of the Accountant-General (OAG) and the Auditor-General of South Africa (AGSA). To date, no submissions were made to the Minister about the implementation of the Standards of GRAP for national and provincial departments. This is in part because the trilateral parties (ASB, OAG and AGSA) do not believe that the departments are able to apply accrual accounting at present because of changes needed to systems, policies, processes and skills of finance officials.

3.6 The implementation of an integrated financial management system is critical to the adoption of accrual accounting. The current systems in government are unable to produce accrual-based accounting information. Until such time as a system is implemented at national and provincial departments, there is no reasonable expectation that accrual accounting will be applied. However, this does not mean that steps should not be taken by government to plan for the adoption of accrual accounting. For example, work could commence on preparing a holistic implementation plan, and working on areas such as developing people, and changing processes and policies. The ASB will continue to advocate for the adoption of accrual accounting by departments, and work with the OAG and other units in the National Treasury to develop an implementation strategy and plan.

Increased focus on sustainability reporting

3.7 It has long been acknowledged that the financial statements alone cannot provide all the information that users need to make informed decisions about an entity's financial viability. The International Public Sector Accounting Standards Board (IPSASB) will issue its first proposed sustainability standard in 2024 for comment. It is expected that the IPSASB will issue equivalent Standards to those published in the private sector.

3.8 At present, the ASB's mandate includes performing any other function incidental to advancing financial reporting in the public sector. The ASB has interpreted this as not having a direct mandate to deal with reporting outside the financial statements. As a result, the ASB's work to date focused on monitoring the work of the IPSASB and soliciting feedback on their proposals from the South African market.

3.9 The National Treasury and Ministry are aware that there is no organisation responsible for sustainability reporting in the public sector. The proposed changes to the PFMA (which are planned to be tabled in Parliament in late 2024) outline a widening in the ASB's scope to include issuing pronouncements for financial reporting. It will take time for the changes to the PFMA to be formally enacted as a public consultation process will need to be followed. However, the ASB should consider what the potential implications could be on the ASB's strategy for 2026-2030.

<u>The need for accounting standards</u>

3.10 There is a growing pool of financial and other resources being made available for Environmental Social and Governance (ESG) initiatives. Loans are made available for government projects, particularly those that link the cost of financing to the climate impact of new infrastructure builds. Information about the existence and features of these loans will be provided to users of the financial statements when the new Standard of GRAP on *Financial Instruments* is applied in 2025/26. The guidance issued by the ASB staff in 2024 on *The Effect of Climate Related Matters on Financial Statements* also explains how the existing Standards can be used to respond to climate risks that may affect the financial performance and position of an entity.

3.11 As the IASB continues to address climate and other sustainability topics in the financial statements, the ASB will need to assess how these impact the standard-setting agenda (if at all).

<u>The need for reporting standards</u>

3.12 The IPSASB will publish its first draft sustainability standard dealing with the climate matters in the second half of 2024. The proposed standard will deal with the perspective of both the policy "maker" (i.e. the organisation that sets policy) and the policy "taker" (the organisations that implement/apply the policy). In some instances, the policy maker and taker can be the same organisation. The reporting requirements for the policy "taker" are based on IFRS S2 on *Climate-related Disclosures*. The reporting requirements for the policy "maker" were developed by the IPSASB. Should the changes to the ASB's mandate be approved, the Board would need to assess how it wants to respond to the sustainability-standards issued by the IPSASB. The response should take into account what will be most effective from both a resourcing perspective, and also consider the needs of preparers and users in the South African market.

3.13 Given the time to approve the changes to the PFMA and for the IPSASB to finalise its first sustainability standard, it is unlikely that sustainability related standard-setting activities will be needed by the ASB during 2026-2030. The ASB will continue to monitor the work of the IPSASB and consult with stakeholders locally on key issues. This will provide invaluable information to the IPSASB, and the ASB Board will also gain an understanding of the needs locally which can be used to inform the next strategy.

Professionalising the public sector

3.14 There is an increased focus by the National Treasury on professionalising the finance discipline in the public sector. There are already competency frameworks in place that finance officials are required to demonstrate. Professionalisation means that finance officials will need to belong to professional bodies, who will require adherence to a Code of Conduct. Professionalisation will focus on professionals at all levels across organisations – accounting technicians, middle management, and senior management/leadership.

3.15 Applying the Standards of GRAP requires judgement by finance officials. As applying judgement is a key principle in any professional body's Code of Conduct, it is anticipated that there would be an improved application of the Standards. In several of the ASB's past projects to assess whether the Standards could be simplified or their application differentiated, the most commonly received feedback was that applying judgement, including materiality, is a complex area. The professionalisation initiative would contribute positively to the improved application of the Standards.

The South African economy

3.16 The fiscus is under increasing strain, largely due to burgeoning debt as a result of lower than anticipated growth. As the ASB is wholly reliant on funding from the National Treasury, any strain on the fiscus is felt directly by the entity. As an example, an additional standard-setter is needed to ensure the ASB's work keeps pace with international developments. However, this is currently unaffordable. The ASB will continue to explore alternative funding sources, particularly for discrete projects should these opportunities arise.

Technology at the ASB

3.17 The ASB operates in a completely virtual environment. This means that Information, Communication and Technology (ICT) is a key enabler of the ASB's operating environment. While this may have an increased exposure to cyber-risks, the risk is low compared to the increase in benefits. The virtual operating environment is attractive for many employees. It also allows the ASB increased access to stakeholders who themselves operate under fiscal pressures. To mitigate potential risks, the ASB will need to invest more on ICT hardware and software to ensure seamless operations and enhanced ICT security.

3.18 The advent of Artificial Intelligence (AI) presents an opportunity for the ASB to leverage technology to support "basic" standard-setting activities. For instance, AI can develop first drafts of summaries, presentations, and another related task. These applications will be leveraged more in future to ensure that standard-setters and others focus their efforts in the areas of critical thinking and thought leadership.

Impact on the environment

3.20 As the ASB operates virtually, most of its operations have a low impact on the environment. Travel is also minimised as far as possible to save costs and reach a wider audience than is often possible through in-person meetings.

3.21 At present, there are two people that travel overseas to attend the IPSASB meetings (both the IPSASB member and technical adviser roles are held by ASB representatives). Arguably, this travel benefits both the ASB and the IPSASB – and exposes both entities to carbon emissions.

3.22 No specific environmental initiatives, other than those discussed under sustainability reporting, are anticipated for the ASB.

Legal restrictions

3.23 The increased risk of litigation in the sector can affect the ASB (see the section on Relevant Court rulings).

3.24 As noted earlier, the National Treasury intends proposing changes to the PFMA and MFMA. While these may only become effective later in this strategic period, it will be important for the Board to comment and consider the potential impacts on the ASB.

3.25 The ASB develops Standards of GRAP using International Public Sector Accounting Standards (IPSAS) as a basis when this aligns with the ASB's mandate and strategy. IFAC owns the intellectual property for the IPSAS. The ASB pays an annual licence fee to use IPSAS. The fee increased from USD 5 000 to USD 17 000 in early 2024. This resulted in additional, unexpected expenditure for the ASB. As the amount is a significant expense for the ASB, any potential increase imposed by IFAC and IPSASB over the strategic period could adversely affect the ASB's finances. The ASB indicated to IFAC that some organisations are price sensitive and may not be able to accommodate large increases in licence fees. Ongoing interaction with IFAC is important to ensure there are no budget surprises.

Social

3.26 There are no specific social issues affecting the ASB. Given the ASB's limited budget, there are no resources to be involved in social activities.

3.27 The most significant "social" part of the ASB's work relates to employee wellness and satisfaction. This is discussed in the section on the "internal environment".

THE EXTERNAL AND INTERNAL ENVIRONMENT

External environment

3.28 The ASB evaluated the impact of its strategic objectives by completing an end-term evaluation for the previous strategic period (called the "evaluation"). The purpose of the ASB's work is to enhance transparency in the reporting of revenue, expenses, assets and liabilities in government financial statements. Transparent information in the financial statements enables entities to be held accountable by a wide range of stakeholders, and those stakeholders can make financial, economic and policy decisions using the financial statements.

3.29 The results of the assessment were generally positive, but there are areas that need to be addressed. These are discussed below.

3.30 A standard-setters' work is successful if:

- The standards can be implemented in the targeted environment, and applied consistently by preparers to a range of transactions across different types of entities.
- The information produced by applying the standards and reported in the financial statements can be used, and is relevant to, users. As an example, few users do not know how the financial statements could be used to inform their decisions when they vote.

3.31 Most of the ASB's work to date focused on preparers of the financial statements. While participants in the evaluation identified areas where the ASB can better support preparers, there is a clear need to focus more on users. The information is not being used in the manner intended. The current project to "Enhance the Application of the Standards of GRAP" provides information to preparers on topical accounting issues and aims to improve how the standards are applied. Going forward, a similar project will be implemented for users of the financial statements.

3.32 Standard-setters should not provide education and training as this is the responsibility of the profession. The professionalisation initiative of the National Treasury will ensure that the finance professionals in government possess the right skills, competencies and behaviours. The National Treasury also has a key role in capacity building in the public sector. It is a fine line that the ASB needs to walk to ensure that it is does not overstep its mandate. The ASB's user and preparer initiatives are aimed at education, advocacy and awareness raising.

3.32 It was also clear from the evaluation that the ASB should do more to explain the role and purpose of financial statements, how they can be used to hold entities accountable, and the types of decisions that can be taken using the financial statements. The ASB's communication activities need to include these messages on a regular basis.

Internal environment

3.33 The analysis of the ASB's internal environment focuses on funding, people, and the governance of the organisation.

Monetary allocations

3.34 The ASB is wholly funded by an allocation from the National Treasury. The table below provides an indication of past and future allocations:

MTEF allocations

MTEF allocations (past and current) and %change				MTEF allocations (future)		
2021/11 R'000	2022/23 R'000	2023/24 R'000	2024/25 R'000	2025/26 R'000	2026/27 R'000	2027/28 R'000
14 362	14 569 1.4%	14 626 0.4%	14 825 1.4%	15 489 4.5%	16 199 4.6%	16 934* 4.5%

**As requested in the July 2024 submission*

3.35 The key factors that influence the finances of the ASB are:

- Compensation of employees – The nature of the ASB's activities means that the organisation requires a workforce of intellectual, finance professionals that are able to think critically and develop accounting standards. The ASB's employees are its key asset. Without its employees, the ASB would not be able to deliver its mandate. As a result, the compensation of employees is approximately 75% of the ASB's expenses (based on a full staff complement of seven employees).
- Travel – As the ASB uses the IPSAS to develop Standards of GRAP, it is important that the ASB participates in the international standard-setting process. This participation in the process ensures that the IPSAS are appropriate for both the local environment and developing economies. The IPSASB is based in Toronto and meets in Canada four times a year (one meeting may be in another location). At present, the ASB funds the travel costs of the South African board member and his technical adviser. Assuming that the South African member is re-appointed, it is expected that the "dual" travel costs will continue for at least another four years.
- The ASB's virtual operating environment means that ICT changed from being a support function to being critical to the ASB's operations. The ICT environment is managed through a service provider. Given the size of the ASB, finding the most efficient and effective service provider can be difficult. ICT spend is also highly dependent on licence fees which are priced in US dollars and are exposed to both changes in the price of the licences themselves and exchange rates.

3.36 The sustained pressure on the fiscus means that the allocations to the ASB have remained fairly constant. The increase of 4.5% over the MTEF period will assist the ASB to retain staff and ensure that the ICT environment remains up-to-date and supports the ASB's virtual operations. While the ASB's activities are fully funded over the MTEF period, and additional standard-setter is needed. This is discussed under the *People* section below.

Governance

3.37 The composition of the Board is prescribed in the ASB's Regulations. The Regulations indicate that there should be a maximum of ten members, which includes two ex-officio members from the OAG and AGSA. The remaining eight members should be independent, non-executive members.

3.38 For the first time in several years, the Board is fully constituted. Having a complete Board means a diversity of skills that contribute to a robust, credible standard-setting process. It is important that this position is sustained over the strategic period.

3.39 The Board has two sub-committees:

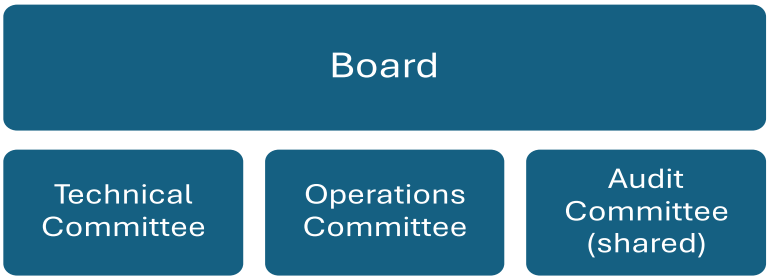
- Operations Committee – reviews the implementation of an internal control framework, risk management, reviews compliance with laws and regulations, reviews financial and other reports, and advises the CEO on strategic matters.

- Technical Committee – reviews adherence to the Board's Due Process and oversees the standard-setting activities of the Board.

3.40 The ASB has historically benefited from sharing governance-related resources with the National Treasury. This includes sharing an Audit Committee and Internal Audit services. Given that the Board fulfils two roles – a standard-setter and governance body – it was difficult in the ASB's early years to find Board members with the requisite skills. This necessitated the need for the shared Audit Committee. However, as the public sector matured, the available pool of experts has grown. The ASB is a unique organisation that requires dedicated governance structures that understand standard-setting, the PFM landscape both locally and internationally, and understand the challenges that can arise when dealing with small organisations.

3.41 It is important that the ASB creates a culture of innovation in reporting, acting ethically, and being a good "corporate" citizen. With this in mind, the governance arrangements may need to be modified to meet these objectives. The Board revised its policy on assessing Board and Committee effectiveness in 2024 and will be implemented during the new strategic period. This process may result in modifications to the existing governance arrangements.

Governance structure of the ASB



People

3.42 As already described, the ASB's employees are critical to the mandate of the ASB and standard-setting in the South African environment. Standard-setting is becoming an increasingly complex, specialised skill. The shift in standard-setting to encompass both financial and non-financial topics means an increase in the scope of financial reporting. While the ASB does not have a direct mandate to deal with reporting outside the financial statements, it is important that the ASB invests time to understand the broader standard-setting environment and ensure that South Africa's stakeholders have a voice in the international standard-setting process.

3.43 This expansion in scope means that employees are increasingly under pressure to deal with a range of issues. To ensure that the ASB can deliver on its current mandate and be the interim "custodian" of financial reporting, means that an additional standard-setter is needed. A motivation will be made to the National Treasury during the strategic period to increase the ASB's staff complement.

3.44 Given the complexity and specialisation required of standard-setters, the ASB needs to retain its staff. Providing a constructive, learning work environment, along with appropriate benefits, is critical to the ASB's continued success. The current benefits provided to employees are adequate. However, the labour-market continues to evolve after the pandemic.

How will the ASB's planned performance be different over the next five years?

3.45 As the overall mandate of the ASB remains unchanged, there are no significant changes to its core work which is undertaking standard-setting activities locally and influencing standard-setting internationally. The introduction of sustainability reporting places an additional burden on the resources of the ASB, and the activities over the next five years will need to be balanced within the available resources.

3.46 While the core activities remain the same, the activities supporting the standard-setting activities of the ASB will take on a different focus. The new focus will be on:

- More communication on the role of the ASB, the role of financial statements, the use of financial statements, and more information about the "accountability cycle".
- A focus on education activities for both preparers and users.

3.47 In deciding what activities to undertake over the strategic period, the Board will need to factor the following into its decisions:

- There is a high level of "reform fatigue" in the public sector. Changing accounting and reporting requirements adds to the burden placed on already stretched finance officials and state resources.
- The skill and capacity of preparers to comment on and implement new or revised pronouncements, and the competencies of users to utilise the information as intended.
- The cost of implementing new or revised requirements versus the benefits that could be realised from different information being available to users.

3.48 The Board may need to think differently about how it initiates projects and decides on the best solution to solve issues identified by stakeholders. For example, a full needs analysis – including an initial consultation with stakeholders – may be needed before embarking on a project.

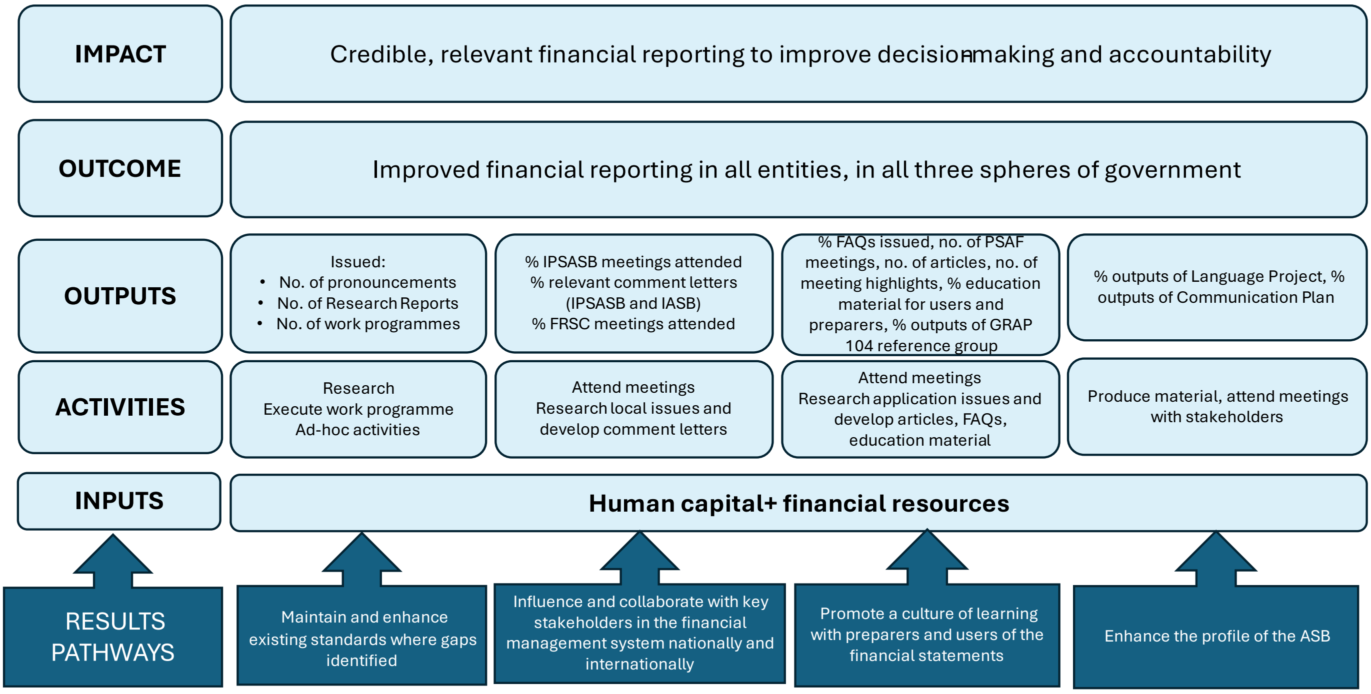
3.49 The planned performance for the year. The Technical Indicators Descriptions are provided in Annexure B.

MEASURING PERFORMANCE OVER THE NEXT FIVE YEARS

Theory of change

4.1 The purpose of financial reporting standards is to provide principles for credible, relevant financial reports, that enable users to hold government entities accountable and to make financial, economic and policy decisions. This is the **impact** the ASB hopes to achieve. The medium to long term **outcome** is to improve financial reporting in all three spheres of government.

4.2 For the ASB to have the desired **impact** and achieve its intended **outcome**, a number of activities are undertaken that result in outputs. The grouping of activities and the development of outputs are called "results pathways". The diagram below depicts the ASB's Theory of Change.



Five year performance

4.3 As noted in earlier sections, the ASB's standard-setting work is driven by a three-year work programme. As a result, many targets for the five-year strategic period are not known at the time of developing the strategy. These targets will only be known once the work programme for the respective period is approved by the Board. The table below explains the relationship between the strategic period and the three-year work programme.

Strategic period	2025/26	2026/27 to 2028/29	2029/30
Work programme theme	Taking Stock	Financial Reporting for a Capable State (proposed)	To be determined
Status	In-progress	Draft issued for comment + approval expected in June 2025	To be determined

4.4 The outcomes and activities are outlined in the table in Annexure A.

4.5 The ASB's activities are designed to affect all citizens equally – this includes women, youth, and disadvantaged individuals.

4.6 As the ASB's activities all work together to achieve a common goal, the ASB only has one "programme". As a result, resources are not allocated to individual objectives and activities.

Risks

4.7 The ASB manages risk on an ongoing basis through its Operations Committee. The key risks for the strategic period are outlined below. These risk affect the following outcomes:

- Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified
- Influence and collaborate with key stakeholders in the financial management system nationally and internationally.

Risk description	Impact	Mitigation (if any)
Delay in approving the implementation date for standards approved by the Board	If new reporting requirements are not implemented, users may not have the most relevant information in the financial statements.	Discuss the process with the Accountant-General and identify whether improvements can be made.
Insufficient resources to deliver the quantity and quality of outputs expected by the ASB's mandate	Work programme cannot be fully executed.	Discuss the possibility of increased resources with the Deputy Minister and Public Entity Oversight Unit on an ongoing basis.
Insufficient staff resources negatively affect the ASB's continuity	Unexpected staff absences of more than one week affect the execution of the work programme.	

ANNEXURE A – PLANNED PERFORMANCE FOR 2026-2030

Impact	Output	Performance measure	Baseline	Five year target
Credible, relevant financial reporting to enable users to hold entities accountable and make financial, economic and policy decisions.	**Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified**	No. of approved draft or final pronouncements issued as identified in the work programme for the year	Variable and depends on stakeholder needs as reflected in the work programme.	The number will vary and the pronouncements issued based on stakeholder needs as reflected in the work programmes for 2023-2026, 2027-2029 and 2030 onwards.
		No. of reviews issued for consultation, and/or completed and/or research reports published		
		No. of work programmes issued	Work programme issued every three years	Work programme to be issued for 2027-2029 and 2030-2032
	Influence and collaborate with key stakeholders in the financial management system nationally and internationally	Percentage of IPSASB meetings attended (Virtual or physical)	Four meetings a year = 20 meetings attended over five years	At least four official IPSASB meetings = 20 meetings over five years Potentially four check-in meetings = 20 check-in meetings over five years
		Percentage of relevant IPSASB Exposure Drafts commented on within the comment period set by IPSASB	Variable and depends on the work programme of the IPSASB. Comment letters submitted based on the Exposure Drafts issued by the IPSASB that are relevant to the ASB's work.	Variable and will depend on the work programme of the IPSASB. Comment letters submitted based on the Exposure Drafts issued by the IPSASB that are relevant to the ASB's work.
		Percentage of IASB Exposure Drafts that are relevant to the public sector commented on within the comment period set by IASB	Variable and depends on the work programme of the IASB. Comment letters submitted based on the Exposure Drafts issued by the IASB that are relevant to the ASB's work.	Variable and will depend on the work programme of the IASB. Comment letters submitted based on the Exposure Drafts issued by the IASB that are relevant to the ASB's work.
		Percentage of meetings attended as an observer at the Financial Reporting Standards Council (FRSC) (and the relevant structure for Sustainability Reporting once established)	No baseline – new activity.	Participate as an observer in the FRSC's scheduled meetings. [Note: if a structure is set up for sustainability standards, then

				these meetings will also be observed]
	Promote a culture of learning with preparers and users of the financial statements	Percentage of FAQs issued to respond to issues raised by stakeholders within the approved timeframe from date of identification of the need to develop a FAQ	Variable and depends on stakeholder and/or Board needs Identified FAQs published within the specified timeframe	Variable and will depend on stakeholder and/or Board needs Identified FAQs published within the specified timeframe
		No. of accounting forum meetings	Eight meetings a year = 40 meetings in five years	Eight meetings a year = 40 meetings in five years
Credible, relevant financial reporting to enable users to hold entities accountable and make financial, economic and policy decisions.		No. of articles on different topics to continue awareness raising amongst stakeholders	Four articles published in a year on different topics = 20 articles in five years	Four articles published in a year on different topics = 20 articles in five years
		No. of meeting highlights issued after Board meetings to create awareness of new developments	Four meeting highlights issued a year = 20 highlights in five years	Four meeting highlights issued a year = 20 highlights in five years
		Percentage of education material published for preparers according to an annual plan agreed with the Board.	No direct baseline for this project (content previously issued for the project on “Enhancing the Application of the Standards of GRAP” which was new for this strategic period)	Variable and will depend on stakeholder needs Education material for preparers published based on a plan developed in consultation with stakeholders
		Percentage of education material published for users according to an annual plan agreed with the Board.	No direct baseline for this project (content previously issued for the project on “Enhancing the Application of the Standards of GRAP” which was new for this strategic period)	Variable and will depend on stakeholder needs Education material for users published based on a plan developed in consultation with stakeholders
		Percentage of outputs met in the work plan for the GRAP 104 Reference Group	No baseline as new activity for the strategic period	Variable and will depend on stakeholder needs Deliver on outputs identified by the Reference Group and included on the work plan Project to continue to 31 March 2026

	Enhance the profile of the ASB	Percentage outputs met in the plan for the Language Project	No baseline as project not commenced during this strategic period	Deliver on outputs identified on the Language Project Plan [project may be complete before 2030]
		Percentage outputs met in the ASB's Communication Plan	No baseline as this is a new project	Outputs delivered based on the Communication Plan approved by the Board
	Manage resources to ensure the ASB is operationally effective	Deliver an audit that is unqualified with no findings	Target was zero (referring to zero findings in the management reports)	A clean audit should be delivered

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified			Influence, and collaborate with, key stakeholders in the financial management system nationally and internationally			
Indicator title	No. of pronouncements issued as identified in the work programme for the year	No. of reviews issued for consultation, and/or completed and/or research reports published	No. of work programmes issued	Percentage of IPSASB meetings attended (Virtual or physical)	Percentage of relevant IPSASB Exposure Drafts commented on within the comment period set by IPSASB	Percentage of IASB Exposure Drafts that are relevant to the Public Sector commented on within the comment period set by IASB	Percentage of meetings attended as an observer at the Financial Reporting Standards Council (FRSC) (and the relevant structure for Sustainability Reporting once established)
Definition	To develop exposure drafts, Standards of GRAP and other pronouncements as identified in the annual work programme	To ensure consistent interpretation and application of Standards of GRAP and other pronouncements as identified in the annual work programme	To publish a draft three-year work programme for comment, and finalise the work programme based on feedback received from stakeholders.	Provide technical support to the South African representative on the IPSASB at scheduled quarterly meetings (both "official" and "check-in" meetings)	Respond to international public sector developments by submitting a well-researched comment letter on relevant IPSASB exposure drafts issued	Identify potential public sector implications in any standards being developed by the private sector and ensure that the comment is included in the SAICA comment letter, or if deemed a significant issue, consider submitting an ASB comment letter	Participate as an observer at the FRSC meetings to share and gather information with/from the private sector standard-setter
Source of data	Pronouncements approved for issue by the ASB	Review reports or research reports tabled for consideration by the Board	Draft and final work programme approved for issue.	Minutes and/or airfare and accommodation for each meeting	Comment letters submitted on relevant projects. Exposure Drafts requiring comment are approved by the Board and/or Technical Committee	Comment letters submitted on relevant projects. Exposure Drafts requiring comment are approved by the Board and/or Technical Committee	Minutes of meetings
Method of calculation	Simple count of no. of pronouncements issued	Simple count of reviews completed and/or research reports issued	Simple count of no. of draft or final work programmes	No. of meetings attended divided by the no. of meetings scheduled X 100	No. of comment letters submitted divided by the no. of relevant Exposure Drafts issued for comment X 100	No. of comment letters submitted divided by the no. of relevant Exposure Drafts issued for comment X 100	No. of meetings attended divided by the no. of meetings scheduled X 100
Means of verification	Board minutes Draft or final pronouncements issued	Board minutes Completed reviews Review Reports	Board minutes and/or final work programme	Board minutes Meeting schedule	Confirmation emails received that comment letters were submitted Board papers indicating which Exposure Drafts are relevant	Emails with comment letters sent Board papers indicating which Exposure Drafts are relevant	FRSC minutes Meeting schedule

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified			Influence, and collaborate with, key stakeholders in the financial management system nationally and internationally			
Assumptions	Board meetings to be held to discuss the draft and final pronouncements, and minutes of these meetings will be recorded Pronouncements finalised as per the work programme	Board meetings to be held to discuss documents issued of comment, results of reviews, Review Reports , and minutes of these meetings will be recorded Review/research reports finalised as per the work programme	Board meetings to be held to discuss the draft and final work programme, and minutes of these meetings will be recorded	Four "official" meetings will be held. Potentially four "check-in" meetings will be held. Travel budget is sufficient (if physical attendance is required)	IPSASB will issue Exposure Drafts for comment. Sufficient resources to respond to exposure drafts	IASB will issue Exposure Drafts for comment. Sufficient resources to respond to exposure drafts	FRSC will be properly constituted and meet regularly
Disaggregate beneficiaries	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A
Spatial transformati on	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Calculation type	Quantitative	Quantitative	Cumulative (Year-End)	Quantitative	Quantitative	Quantitative	Quantitative
Reporting cycle	Quarterly	Quarterly	Annually (or as long as finalisation of work programme takes)	Quarterly	Quarterly	Quarterly	Quarterly
Desired performance	Draft and final pronouncements are issued based on the work programme developed in consultation with stakeholders	Reviews completed and/or review reports issued based on the work programme developed in consultation with stakeholders	A three-year work programme is issued for 2027-2029, and consultation commenced on the work programme for 2030-2032	Attend four "official" IPSASB meetings and four "check-in" meetings (if held)	Submit a well-researched comment letter on all relevant IPSASB Exposure Drafts within the comment period	Participate in private sector project groups to draft comment letters on standards relevant to the public sector and submit own comment letter if subject deemed significant	Attend all scheduled FRSC meetings

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified			Influence, and collaborate with, key stakeholders in the financial management system nationally and internationally			
Indicator responsibility	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Promote a culture of learning with preparers and users of the financial statements				
Indicator title	Percentage of FAQs issued to respond to issues raised by stakeholders within the approved timeframe from date of identification of the need to develop a FAQ	No. of accounting forum meetings	No. of articles on different topics to continue awareness raising amongst stakeholders	No. of meeting highlights issued after Board meetings to create awareness of new developments	Percentage of education material published for preparers according to an annual plan agreed with the Board.
Definition	Issue FAQs identified by stakeholders in accordance with the ASB's policy.	To facilitate and encourage stakeholder engagement and support	Engage stakeholders to facilitate strategic discussions	Share current developments as discussed at Board meeting	To enhance the application of the Standards of GRAP through guidance to preparers
Source of data	FAQs issued within the approved timeframe. The approved timeframe is outlined in the ASB's policy on responding to queries	Agenda and minutes of meetings	Articles submitted	Meeting highlights	Communication outputs in terms of the plan. Outputs published
Method of calculation	No. of FAQs issued divided by the FAQs identified X 100	Simple count of no. of meetings held	Simple count of no. of articles submitted for publication	Simple count of the number of meeting highlights issued	Communication outputs published divided by those identified in the work plan X 100
Means of verification	FAQs discussed at the PSAF and subsequently published on website	Meeting minutes	Copy of article	Copies of meeting highlights (website)	Work plan for preparers approved by Technical Committee and/or Board
Assumptions	Stakeholders will identify matters requiring clarification through FAQs	Interest from stakeholders Sufficient resources available	Sufficient resources are available	Four Board meetings will be held per year	There is a need for stakeholders to receive communication of this nature
Disaggregate beneficiaries	N/A	N/A	N/A	N/A	N/A

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Promote a culture of learning with preparers and users of the financial statements				
Spatial transformation	N/A	N/A	N/A	N/A	N/A
Calculation type	Non-cumulative	Cumulative (Year-end)	Cumulative (Year-end)	Cumulative (Year-end)	Non-cumulative
Reporting cycle	Quantitative	Quantitative	Quantitative	Quantitative	Quantitative
Desired performance	Develop or amend FAQs that aid the application of the Standards of GRAP	Eight meetings per year	At least four articles submitted	Meeting highlights published for each Board meeting	Develop understandable, relevant education material for preparers of the financial statements (new indicator)
Indicator responsibility	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Promote a culture of learning with preparers and users of the financial statements		Enhance the profile of the ASB	
Indicator title	Percentage of education material published for users according to an annual plan agreed with the Board	Percentage of outputs met in the work plan for the GRAP 104 Reference Group	Percentage outputs met in the plan for the Language Project	Percentage outputs met in the ASB's Communication Plan
Definition	To enhance the use of financial statements prepared using Standards of GRAP	To facilitate stakeholder discussions on revised GRAP 104 to identify implementation issues in advance of the date of implementation. Publish FAQs, Fact Sheets or other tools identified by the Reference Group	To improve the accessibility to, and understandability of, the ASB's pronouncements by making simple information available in certain official languages	To raise awareness about the ASB and the importance of its work through ongoing communication initiatives
Source of data	Communication outputs issued in terms of the plan	Discussions based on work plan agreed by the Reference Group Tools identified and published by the Group	Activities executed in the project plan	Activities executed in the Communication Plan
Method of calculation o	Communication outputs published divided by those identified in the work plan X 100	Topics and other matters addressed divided by total number of outputs in the work plan X 100	Activities undertaken divided by the total number of activities in the project plan X 100	Activities undertaken divided by the total number of activities in the Communication Plan X 100
Means of verification	Work plan for users approved by Technical Committee and/or Board Outputs published	Work plan and meeting minutes Published FAQs, Fact Sheets or other tools identified by the Reference Group	Project plan Outputs met in the project plan	Communication Plan Outputs met in the communication plan
Assumptions	There is need for stakeholders to receive communication of this nature	Interest from stakeholders Sufficient resources available	Service provider is able to meet deadlines Stakeholders available to engage with service provider (if required)	Communication strategy and plan approved by the Board. Stakeholders are willing and able to meet with the ASB

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Promote a culture of learning with preparers and users of the financial statements		Enhance the profile of the ASB	
Disaggregate beneficiaries	N/A	N/A	Non-English speaking stakeholders will benefit from this activity	N/A
Spatial transformation	N/A	N/A	N/A	N/A
Calculation type	Quantitative	Quantitative	Quantitative	Quantitative
Reporting cycle	Quarterly	Quarterly	Quarterly	Quarterly
Desired performance	Develop understandable, relevant education material for users of the financial statements (new indicator)	Publish FAQs, Fact Sheets or other tools identified by the Reference Group	Publish outputs based on the plan (new indicator)	Develop Communication Plan and execute activities in the plan (new activity)
Indicator responsibility	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Manage resources to ensure the ASB is operationally effective
Indicator title	Deliver an audit that is unqualified with no findings
Definition	Monitor the effective management of the ASB's resources
Source of data	External auditors report and management letter
Method of calculation	Status of audit report to be unqualified with no findings [Based on the audit of the previous financial statements – only applicable to the 2^{nd} quarter of each year]
Means of verification	External auditors report and management letter
Assumptions	Financial statements and performance information will be produced by management and audited by the external auditors

ANNEXURE B – TECHNICAL INDICATOR DESCRIPTIONS

	Manage resources to ensure the ASB is operationally effective
Disaggregate beneficiaries	N/A
Spatial transformation	N/A
Calculation type	Quantitative
Reporting cycle	Annually
Desired performance	No matters must be reported, i.e., a clean audit opinion and no matters in the Management Report
Indicator responsibility	Chief Executive Officer