



Accounting Standards Board

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The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
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Per e-mail

18 April 2016

Dear John,

**COMMENT ON THE EXPOSURE DRAFT 59 PROPOSED AMENDMENTS TO IPSAS 25  
EMPLOYEE BENEFITS**

We welcome the opportunity to comment on the Exposure Draft 59 (ED 59) on *Proposed Amendments to IPSAS 25, Employee Benefits*.

Overall, we are supportive of the changes proposed in ED 59 as they ensure that there is greater alignment between IPSASs and IFRSs. Our detailed comments are included as Annexure A to this letter.

The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating our comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

Jeanine Poggiolini, Technical Director

Board Members: Ms T Coetzer, Mr B Colyvas, Ms I Lubbe, Mr M Kunene, Mr K Makwetu,  
Mr V Ndzimande, Ms N Ranchod, Ms R Rasikhinya, Ms C Wurayayi  
Alternates: Mr S Badat, Ms L Bodewig  
Chief Executive Officer: Ms E Swart Technical Director: Ms J Poggiolini

## **ANNEXURE A – DETAILED COMMENTS**

### **Specific Matter for Comment 1**

*Do you agree with the proposals in the Exposure Draft for revision of IPSAS 25? If not, please indicate which amendments you do not agree with and provide reasons.*

We generally support the proposed amendments to IPSAS 25 as they (a) ensure alignment with IAS 19 *Employee Benefits*, and (b) are clearer and more precise than the previous requirements. We have identified two key issues which we would like to bring to the Board's attention:

#### Rationale for the recognition of remeasurements in the statement of changes in net assets

The proposed changes to IPSAS 25 require that all remeasurements are recognised in the Statement of Changes in Net Assets.

In the previous version of IPSAS 25, an entity was required to recognise actuarial gains and losses in surplus or deficit if they applied the corridor method. An entity was permitted to recognise actuarial gains and losses in the Statement of Changes in Net Assets if they recognised actuarial gains and losses in full when incurred.

While the Basis for Conclusions acknowledges the withdrawal of the corridor method (BC10A), and the change in where remeasurements are recognised (BC23(d)), there is no clear rationale why the IPSASB decided to implement the change to full recognition of remeasurements in the Statement of Changes in Net Assets.

As jurisdictions may have recognised actuarial gains and losses in full in the surplus or deficit in prior years (South Africa is an example), we believe there should be a clear explanation why the IPSASB believes this treatment is appropriate for the public sector.

#### IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The IASB issued IFRIC 14 in July 2007 to outline the accounting principles that should be applied to the measurement of defined benefit assets and any minimum funding requirements that may exist.

While we understand that the IPSASB currently does not issue any Interpretations, we question how entities will know that this Interpretation exists and that it provides valuable guidance on a complex issue. For jurisdictions that are familiar with IFRSs, they are likely to be aware of the IFRIC and what issues it addresses. For jurisdictions that are less familiar with IFRSs, this guidance is likely to be ignored.

It would be useful for the IPSASB to re-consider its approach to Interpretations, and specifically, the status of IFRICs or SICs issued by the IASB and their effect on the IPSAS as a reporting framework. The approach and the effect on the IPSAS reporting framework should be clearly communicated to users of the IPSASs.

## **Specific Matter for Comment 2**

*IPSAS 25 currently includes a section on Composite Social Security Programs (paragraph 47-49). The IPSASB is considering deleting this section because the IPSASB is not aware that it has been applied in any jurisdiction. If you do not agree that this section should be deleted, please provide a reason for your response along with any proposed revisions.*

After consultation with our stakeholders, it was confirmed that no composite social security programs exist in the South African environment. As a result, we support the proposal to delete the section on Composite Social Security Programs.