



Accounting Standards Board

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The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
Canada  
13 July 2018  
Per electronic submission

Dear John,

**COMMENT ON EXPOSURE DRAFT 65 ON IMPROVEMENTS TO IPSAS 2018**

We welcome the opportunity to provide comment on Exposure Draft 65 on *Improvements to IPSAS 2018*. Overall we support the proposed amendments to IPSAS, which respond to matters raised by stakeholders and align IPSAS to IFRS Standards. We believe the proposed amendments will enhance and improve the principles set out in the IPSAS.

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

We would like to urge the IPSASB to publish Exposure Drafts in a timely manner to allow for maximum stakeholder engagement with all interested and potentially affected stakeholders on Exposure Drafts. We note that IPSASB approved the Exposure Draft at the meeting held 6 to 9 March 2018, but that it was only published on 16 April 2018 with a comment deadline of 15 July 2018. This has severely shortened the consultation time available to constituents.

Enclosed please find our comment on the proposed General Improvements to IPSAS and IFRS Convergence Amendments.

Board Members: Ms F Abba, Ms L Bodewig, Mr C Braxton, Mr K Hoosain, Ms I Lubbe, Mr K Makwetu,  
Ms P Moalusi, Ms Z Mxunyelwa, Mr V Ndzimande, Ms N Themba,  
Alternate: Ms M Sedikela  
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

Please do not hesitate to contact me should you wish to discuss our comment further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Poggiolini". The signature is written in a cursive, flowing style.

Jeanine Poggiolini

Technical Director

## Part I: General Improvements to IPSAS

We support the proposed General Improvements to IPSAS, with the following specific comment:

I-4	<p>Amendments to IPSAS 31, <i>Intangible Assets</i></p> <p>We support the proposed amendment.</p> <p>Stakeholders noted that, in general, they do not use the revaluation model for subsequent measurement of intangible assets, but agree the amendment is necessary.</p>
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## Part II: IFRS Convergence Amendments

We generally support the proposed IFRS Convergence Amendments, with the following specific comments:

II-2	<p>Amendments to IPSAS 2, <i>Cash Flow Statements</i></p> <p>Stakeholders raised concerns with the proposed amendment.</p> <p>Some stakeholders noted that the additional disclosure requirements are not clear. In particular, they are unsure about what information to present and how it should be presented, without specifically understanding users' information needs. They further found that the illustrative examples do not address the intricacies that could arise from presenting the additional disclosures and may be overly simplified. More elaborate examples could assist with implementing the requirements in practice.</p> <p>Stakeholders questioned the need for this information in the public sector, and suggested it could be helpful to first understand why this information was needed in the private sector, before concluding there is no public sector specific reason not to adopt the IFRS amendments. We note that the IASB indicated the amendments to IAS 7 <i>Statement of Cash Flows</i> respond to investors' requests for improved disclosures about changes in liabilities arising from financing activities, in order to:</p> <ul style="list-style-type: none"><li>• check their understanding of an entity's cash flows;</li><li>• improve their confidence in forecasting an entity's future cash flows;</li><li>• provide information about an entity's sources of finance and how it is used over time; and</li><li>• help them understand an entity's exposure to risks associated with financing.</li></ul> <p>Given that public sector entities often do not have a complex capital structure, and are in some instances not allowed to obtain finance from external sources, the additional disclosures may not be as relevant in the public sector as in the private sector. We therefore suggest that the IPSASB first explores the relevance of this information to users of public sector financial statements before making the change.</p> <p>The illustrative example under the heading "Reconciliation of liabilities arising from financing activities" (page 28 of the Exposure Draft) refers to the requirement of IPSAS 1, <i>Presentation of Financial Statements</i> for corresponding amounts for the preceding period. It would be helpful to clarify whether the presentation of corresponding amounts will be required for the first period in which the entity presents this information, or only thereafter.</p>
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	<p>Stakeholders from the private sector indicated that they have had challenges implementing the disclosure in practice. These challenges include:</p> <ul style="list-style-type: none"> <li>• Entities are unsure how to present the additional disclosure in a manner that will satisfy the needs of users. They also found that the illustrative examples provided are insufficient to address their uncertainties.</li> <li>• Entities often do not record information in the way that the disclosure is required. To comply with the additional disclosure requirements, system changes and changes to how records are kept are required. The IASB also noted this in their cost-benefit consideration. This will equally affect the public sector.</li> <li>• Guidance is needed in practice on when liabilities result from financing or operating activities.</li> </ul> <p>Stakeholders further questioned whether the amendment is non-substantive in nature.</p> <p>It was noted that entities would require time to implement the necessary changes to systems and records management to be able to present this information separately. We therefore suggest that the IPSASB carefully considers the transitional provisions and effective date for this amendment, if the requirements remain unchanged from the Exposure Draft.</p>
II-5	<p>Amendments to IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i></p> <p>Stakeholders agreed with the principles of the IFRIC.</p> <p>However, stakeholders questioned the placement of the principles and guidance from the IFRIC in an authoritative appendix to the Standard, for the following reasons:</p> <ul style="list-style-type: none"> <li>• An appendix provides clarity regarding the principles that exist in a Standard. In this instance, the appendix has its own introduction, scope, and application of the principles. It seems inappropriate for this information to be included in an appendix. <ul style="list-style-type: none"> <li>○ It is our view that authoritative principles should be incorporated in the body of the Standard and we therefore suggest that the appendix be removed and the relevant principles be incorporated in the body of the Standard.</li> </ul> </li> <li>• The IPSASB does not have a policy for assessing the impact of IFRIC Interpretations on the public sector and IPSAS Standards. <ul style="list-style-type: none"> <li>○ We suggest that a policy first be developed to decide how the IPSASB will consider all the IFRIC Interpretations issued to date, instead of only considering one IFRIC as part of this Improvements to IPSAS project.</li> </ul> </li> </ul>