

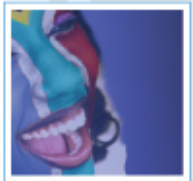
Practical implementation experience

May 2015



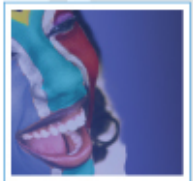
Reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



Practical implementation experience

- **Appropriate systems and reliability of information**
- **Resistance to change**
- **Skills and training**
- **Application of standards**
- **Technical support and guidance**
- **Specific matters on assets**
- **Specific matters on revenue**
- **Specific matters on liabilities**
- **Specific matters on consolidations**



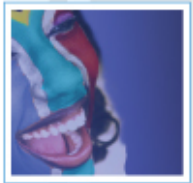
Practical implementation experience – challenges and solutions

Appropriate systems and reliability of information

- Many different systems in use
- Staff do not really understand how to use the systems
- Information available for preparation of the financial statements is not reliable
- Supporting information for work done by experts or consultants is often not available for audit
- Introduction of standard chart of accounts that complies with the standards

Resistance to change

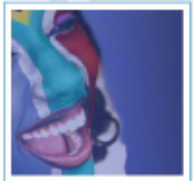
- Lack of understanding of benefits to business and thus complaints about requirements
- Insufficient preparation and transitional provisions expiring resulting in adverse audit opinions



Practical implementation experience – challenges and solutions

Skills and training

- Lack of skills
- Employment of consultants at year end thus no transfer of skills and lack of understanding of own financial statements
- Contracting of consultants/ experts is expensive and not value for money
- Poor quality of work; consultants/ experts are contracted to resolve problems, yet the problem still remains after the consultants/ experts have completed their work
- Accreditation and standard charge rates and terms and conditions for consultants



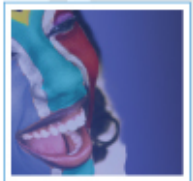
Practical implementation experience – challenges and solutions

Application of standards

- Inconsistent application of standards
- Different interpretation by consultants
- Lack of communication between financial and other disciplines e.g. engineers concerning infrastructure assets

Technical support and guidance

- Guidance manuals prepared
- FAQs prepared on complex matters
- Weekly meetings to resolve misunderstanding, and disagreements
- Monthly accounting forum for consultants, practitioners, preparers, treasury officials to discuss and agree on technical matters



Practical implementation experience

Specific issues with assets

- **Uncertainty about ownership**
- **Valuation – use of experts**
- **Identification of infrastructure assets is a timely and costly and sometimes difficult process**
- **Consultants in many cases do not understanding the full extent of the requirements of the standards**
- **Asset registers are not:**
 - **mathematically accurate**
 - **complete**
 - **updated and maintained**
- **Information in the asset registers does not facilitate compliance with the standards**
- **Information in the asset register is not descriptive, making identification of and locating the assets difficult**



Practical implementation experience

Specific issues with revenue

- Incorrect classification due to incorrect interpretation of the standards – e.g. should licence fees be exchange or non- exchange revenue
- Lack of systems to assist on revenue recognition – e.g. SARS (Revenue/Tax authority) has difficulties in adopting IPSAS 23
- How entities should account for revenue related donated assets e.g. land and buildings
- Agency principal accounting between levels of government

Specific issues with liabilities

- Unrecorded liabilities e.g. provision for rehabilitation of landfill sites
- Incorrect interpretation of the standard on provision, contingent liabilities and contingent assets

Specific issues with consolidations

- Different accounting frameworks in use and year ends
- Elimination of inter-entity transactions
- Lack of systems for consolidations and instructions to entities to align with group accounting policies not clear

