



P O Box 7001  
Halfway House  
Midrand  
1685  
Tel. 011 697 0660  
Fax. 011 697 0666  
[www.asb.co.za](http://www.asb.co.za)

Technical Director

277 Wellington St. West  
Toronto, ON  
M5V 3H2

26 September 2019

Electronic submission: [ipsasb.org](http://ipsasb.org)

Dear John

### **COMMENTS ON EXPOSURE DRAFT 68 *IMPROVEMENTS TO IPSAS, 2019 (ED 68)***

We are pleased to provide comments on ED 68. The comments outlined in this letter are those of the Secretariat of the ASB and not the Board. The comments have been formulated after a limited consultation with stakeholders.

We are generally supportive of the amendments. Our comments on the proposals in ED 68 are outlined below.

#### **Scope of the project**

##### Definition of material

We support the proposal by the IPSASB to not deal with the amendments to the definition of 'materiality' and its related material as part of the *Improvements to IPSAS, 2019*.

The proposed wording on page 5 of ED 68 indicates that "No revisions to the definition of materiality in IPSAS 1 and IPSAS 3 will be proposed before the completion of the Limited Scope Review of the Conceptual Framework project". We are of the view that the review of the Conceptual Framework need not be completed before amending the definition of materiality in IPSAS – the amendments to IPSAS 1 and IPSAS 3 could be done at the same time as the review of the Conceptual Framework project.

As the Conceptual Framework outlines the fundamental principles used by the IPSASB to set Standards, this review should be given a high priority.

##### Definition of business combination and operation

We note that ED 68 indicates that the IPSASB may undertake a separate narrow scope project to evaluate the potential impact of the change in the definition of a business in future. We

Board Members: Mr V Ngobese (chair), Ms F Abba, Ms L Bodewig, Mr C Braxton, Mr K Hoosain,  
Ms S Kubheka, Ms I Lubbe, Mr K Makwetu, Ms P Moalusi, Ms N Themba  
Alternate: Ms M Sedikela  
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

believe that the potential effect of the change in the definition and the impact on IPSAS 40 on *Public Sector Combinations* should be considered as part of the next Improvements to IPSAS.

### **Specific comments**

#### Amendments to IPSAS 30 on *Financial Instruments: Disclosures*

While we support the amendments to the Implementation Guidance, we note that the example in IG22B refers to 'residential' mortgage loans. This seems like an unlikely example for the public sector. Given that the example in IG22C refers to agricultural loans, it may be better to use the same example in IG22B, or to use agricultural loans for different regions or alternatively loans to small businesses.

#### Amendments to IPSAS 13 on *Leases* and IPSAS 17 on *Property, Plant and Equipment*

Both these standards include a proposed amendment to the transitional provisions. We propose an editorial amendment to BC10 of IPSAS 13 and BC15 of IPSAS 17 as follows:

....These transitional provisions have been ~~deleted~~ ~~restated following the deletion of other transitional provisions~~ as a result of the issuance of IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

We believe that the editorial amendment makes it clear that the existing transitional provisions have been removed from the relevant IPSAS rather than being 'restated' as described.

#### Amendments to IPSAS 21 on *Impairment of Non-Cash-Generating Assets* and IPSAS 26 on *Impairment of Cash-Generating Assets*

The basis for conclusions indicates that an amendment was necessary to make it clear that the standards apply to intangible assets. This resulted in the insertion of the words "individual asset or class of assets in accordance with the relevant Standard".

We do not believe that this wording is necessary for the following reasons:

- The term 'asset' is neutral and does not convey the meaning of either an individual asset or a group of assets. The term 'revalued asset' is used in both the second and last sentences of paragraphs 54A of IPSAS 21 and 73A of IPSAS 26. If there is ambiguity about the term 'asset', then similar amendments should be made to the term 'revalued asset'.
- IAS 36 on *Impairment of Assets* applies to intangible assets. Similar wording to that proposed has not been included in the equivalent paragraphs of IAS 36.

### **General**

We continue to support the IPSASB's ongoing improvements to maintain alignment with the equivalent International Financial Reporting Standards. If in future it is found that there are limited amendments that need to be made to existing IPSAS, it may be better to wait until the following year to publish the proposed changes for comment.

We have observed that it takes a significant period to publish Exposure Drafts after their approval at an IPSASB meeting. As an example, this Exposure Draft was approved at the end of June, and only published on 31 July 2019. We follow our own due process and issue the IPSASB's Exposure Drafts concurrently for comment and engage with relevant stakeholders in our jurisdiction. The delay in publication impacts the time available to consult on the document. With the potential to approve three Exposure Drafts on significant topics in December, we urge the IPSASB to consider reducing the time taken to publish documents or

to extend the length of the comment period to ensure that appropriate consultation can be undertaken.

Should you have any queries regarding the comments outlined in our letter, please feel free to contact me.

Your sincerely

A handwritten signature in black ink, appearing to read 'Poggiolini', written in a cursive style.

Jeanine Poggiolini

Technical Director