



# **Standing Committee on Auditor-General**

## **The relationship between Accounting Standards and Auditing**

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## **Overview**

- Role of ASB and its processes
- Role of OAG and its processes
- Role of the AGSA
- Cooperation of all the parties
- Conclusion



## Who does the ASB set Standards for?

- All public sector entities
- Different Standards for entities on the basis of whether profit motive exists
- No profit motive: Standards of GRAP as developed by the ASB
- Profit motive: Statements of GAAP (IFRS) as set by APB



## Who does the ASB set Standards for?

| PUBLIC SECTOR ENTITIES   |   |
|--|---|
| Not profit oriented  | Profit oriented   |
| Standards of GRAP  | Statements of GAAP  |
| Departments (national and provincial)  | Trading entities established by departments   |
| Public entities (national 3A and provincial 3C)                                      | Public entities that are government business enterprises (S2, 3B and 3D)<br>Other entities whose shares or debt are publicly traded |
| Constitutional institutions (schedule 1)   |   |
| Municipalities, municipal entities & funds, commissions other entities under control |   |
| Parliament and provincial legislatures   |   |



## Status of activities

- ASB mandated to issue “core” set of accounting standards by 2009
  - All material transactions and events accounted for
- To date, issued 30 Standards of GRAP:
  - 22 currently applied (or in process of being adopted)
  - 8 pending approval by MoF
- Phased-in approach to application of Standards based on capacity, previous reporting framework applied
  - application of GRAP & existing/other reporting frameworks (e.g. GAAP for public entities)
  - completeness of financial statements



## Application of Standards

| Entity                  | 2005/06                    | 2006/07                    | 2007/08                    | 2008/09          | 2009/10         |
|-------------------------|----------------------------|----------------------------|----------------------------|------------------|-----------------|
| Public entities 3A & 3C | GRAP 1-3<br>GAAP           | GRAP 1-3<br>GAAP           | GRAP 1-3<br>GAAP           | GRAP 1-3<br>GAAP | 22 GRAP<br>GAAP |
| High munic              | GRAP1-3<br>GAMAP<br>[GAAP] | GRAP1-3<br>GAMAP<br>[GAAP] | GRAP1-3<br>GAMAP<br>[GAAP] | 22 GRAP<br>GAAP  | 22 GRAP<br>GAAP |
| Med munic               | IMFO                       | IMFO                       | IMFO                       | 22 GRAP<br>GAAP  | 22 GRAP<br>GAAP |
| Low munic               | IMFO                       | IMFO                       | IMFO                       | IMFO             | 22 GRAP<br>GAAP |





## Legislative Framework

- CH13 of the Constitution especially Sec 216(1)
- PFMA & MFMA
  - Focus on performance, outputs & responsibilities
  - Flexibility with accountability & transparency
  - Efficiency, Effectiveness & Economy
  - Clarity of roles
- ***Let managers manage and hold them accountable***

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## Functions & Powers of Treasuries

- Promote Government's Fiscal Policy Framework
- Coordinate Intergovernmental Financial and Fiscal Relations
- Manage the Budget Process
- Control the implementation of the Annual National Budget
- Facilitate implementation of the Division of Revenue Act
- Monitor compliance with PFM legislation
- Promote and enforce effective management i.r.o. revenue, expenditure, assets and liabilities

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## OAG'S Strategic Focus

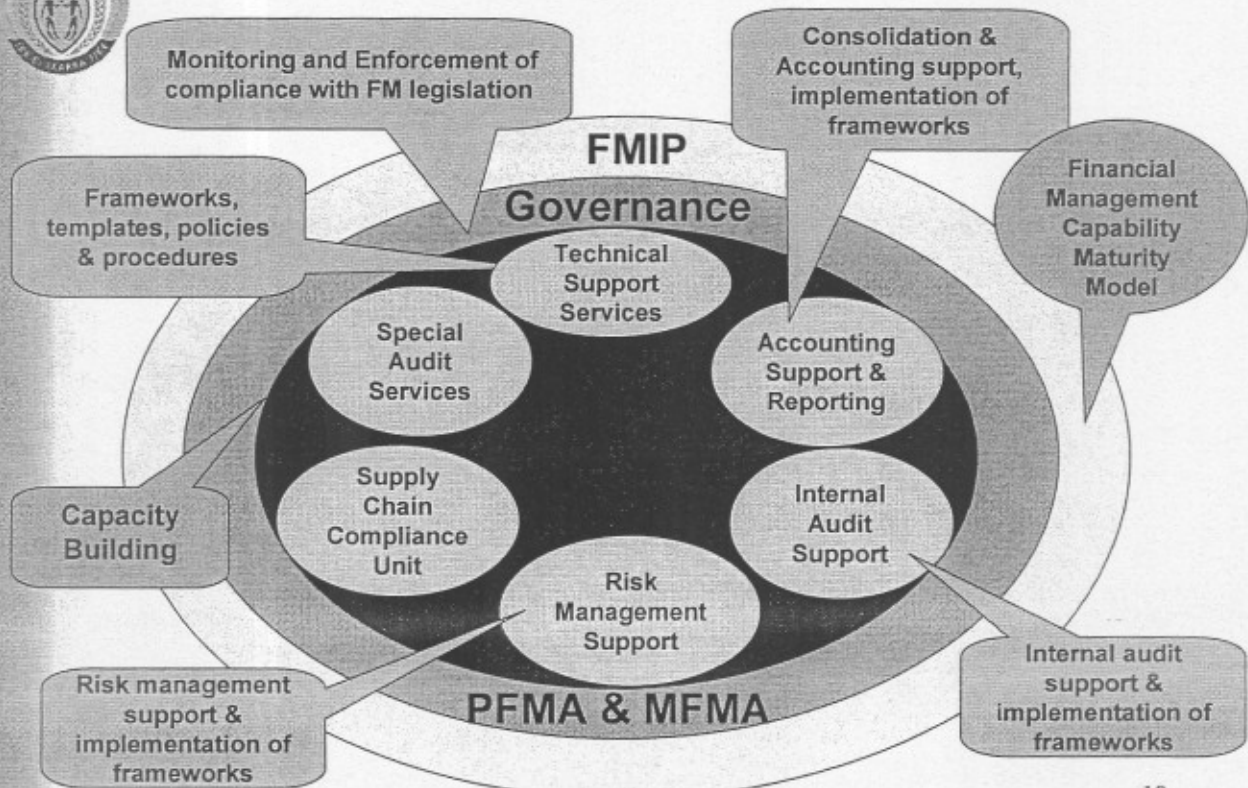
**Support:** Empowering clients & oversight through our products and services in executing their functions.

**Expert Knowledge:** Empowering team members to become the leading knowledge repository of best practice in risk management, internal audit and accounting across the South African Public Sector. Contribute to FM capacity in government.

**Enforcement:** Enforcing compliance with all prescripts and the legislation .17



## Supporting Stakeholders





## The Role of AGSA

- Derive Mandate from Chapter nine of the Constitution and Public Audit Act.
- Audits in accordance with South African Auditing Standards – aligned to International standards
- Audit in accordance with the framework as prescribed by the National Treasury
- Expresses an opinion on the compliance with the framework, legislation, and
- Whether the annual reports reflect fairly the activities of the entity concerned.
- Including an opinion on performance information.



## Co-operation between parties

