



PUBLIC SECTOR | NEWSLETTER

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WHAT'S INSIDE?

Articles

- Do you know what statutory receivables are and how to account for them?

2

Technical Updates

4

Advocacy

- Public schools are missing out on much needed funding due to poor state of finances
- SAICA laments the continuing practice of appointing fake auditors by governing bodies of public schools
- Best of the best: SAICA Recognises Excellence in Public Finance Management

5

6

7

Technical Resources

8

Upcoming Seminars and Events

10

Feature profile:

- Public Sector Audit Committee Forum

11

Tips: Working Remotely

12

Share your insight

14

SAICA's Public Sector Offerings

15

SAICA staff working remotely

The nature of COVID-19 requires that SAICA takes proactive preventative measures to ensure the health and safety of their staff, members and the public. The most effective way to limit the spread of this virus is by social distancing, and that is why SAICA staff will be working remotely from today, 18 March 2020 until 30 April 2020. This time period will be reviewed on a regular basis and either extended or reduced as circumstances dictate. The Public Sector Division can be contacted by emailing Natasha Soopal at natashias@saica.co.za or Julius Mojapelo at juliusm@saica.co.za.



UPCOMING DEADLINES:

31 March 2020:

PFMA Financial Year End

31 May 2020:

Submission of PFMA Financial Statements for Audit

30 June 2020:

MFMA Financial Year End, Public Schools financial statements submission deadline and higher education institutions audit report deadline



SAICA

THE SOUTH AFRICAN INSTITUTE
OF CHARTERED ACCOUNTANTS

ARTICLES

Do you know what statutory receivables are and how to account for them?

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Technical Director at the ASB



the measurement of statutory receivables is different to other receivables.

How are statutory receivables measured initially?

As receivables arise from a revenue transaction, the initial measurement of statutory receivables is largely dependent on the measurement outlined in GRAP 9 on Revenue from Exchange Transactions and GRAP 23 on Revenue from Non-exchange Transactions (Taxes and Transfers), to be read in conjunction with GRAP 108. The revenue Standards indicate the following:

- **GRAP 9** – Fair value of the consideration received or receivable.
- **GRAP 23** – Fair value at the date of acquisition.

GRAP 108 explains that the measurement in the revenue Standards should be read to mean the “transaction amount” as outlined in GRAP 108. The transaction amount is “the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means”. The effect is that fair value in the revenue related Standards of GRAP and GRAP 108 should be determined solely based on what is prescribed in legislation. This is important because it rules out the need to assess the impact of providing credit, or allowing payment over a period of time, e.g. for goods and services provided, taxes, fines, grants, appropriations or similar transfers, on initial recognition.

How are statutory receivables measured at each reporting date?

Given the lack of a market for compulsory transactions, statutory receivables are measured at each reporting date using the cost method as outlined in GRAP 108. Applying the cost method means that the initial transaction amount is only adjusted for the following:

- Interest or other penalties (if required to be charged in

terms of legislation or similar). Interest is charged based on the nominal rate outlined in legislation rather than using a market rate or effective interest rate as outlined in GRAP 104.

- Payments received and other amounts that are derecognised by the entity, e.g. amounts waived by the entity.
- Impairment losses.

An entity assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material. While there are specific indicators that identify the need to assess if an impairment loss exists, entities should also consider the effect of delayed payment and whether this affects the carrying amount of the receivable.

Are there specific disclosure requirements for statutory receivables?

As statutory receivables are different from other receivables, there are specific disclosures required about how these transactions arise, how the transaction amount is determined, whether interest or levies are charged (and if yes, how), how impairment is assessed and if a discount rate is applied.

Importantly, the carrying amount of statutory receivables is disclosed separately in the notes to the financial statements from receivables that are financial assets and other receivables.

Note: this is not a comprehensive list of disclosures in GRAP 108 and focuses on aspects specific to statutory receivables.

What should an entity do to prepare to adopt GRAP 108 and are there transitional provisions?

The Standard is effective for financial years commencing on or after 1 April 2019. The Standard should be applied retrospectively with the exception of (a) the impairment principles that are applied prospectively, and (b) amounts previously derecognised need not be reassessed for derecognition using GRAP 108.

Although the Standard is effective from 1 April 2019, entities are allowed a three-year period within which to change the classification (e.g. from another type of receivable to a statutory receivable) and measurement (e.g. from fair value, amortised cost or another basis to the cost method) of their statutory receivables. This three-year period is voluntarily adopted by entities. Entities should comply with GRAP 108 by 31 March 2022 or 30 June 2022 (whichever is applicable). Where the three-year transitional relief is applied, certain information should be provided to users of the financial statements during this period.

In preparing for the adoption of the Standard, entities should, among other actions:

- review their revenue transactions and identify how they arise, i.e. through contracts or through other means;
- once the transactions have been identified, compare existing accounting policies to the principles in GRAP 108 to identify differences and update policies to align with GRAP 108;

and review existing processes to support the implementation of the new policies, particularly understanding how the information required to be disclosed in the financial statements will be sourced.



TECHNICAL UPDATES

Compliance

MFMA Circular 99 – Municipal Budget Circular for the 2020/21 MTREF

This budget circular has been released by National Treasury is a follow-up to MFMA Circular No. 98 that was issued on 06 December 2019. It aims to provide further guidance to municipalities with the preparation of their 2020/21 Medium Term Revenue and Expenditure Framework (MTREF) budgets

Calls for comments

Document	Institution	Deadline
Draft Public Procurement Bill	National Treasury	30 May 2020
Proposed Post - Implementation Review of the Standard of GRAP on Heritage Assets	Accounting Standards Board	15 September 2020
ED 70 – Revenue with performance obligations	International Public Sector Accounting Board	15 September 2020
ED 71 – Revenue without performance Obligations	International Public Sector Accounting Board	15 September 2020
ED 72 – Transfer Expenses	International Public Sector Accounting Board	15 September 2020

ADVOCACY

Public schools are missing out on much needed funding due to poor state of finances

Author
Julius Mojapelo
Senior Executive: Public Sector at SAICA

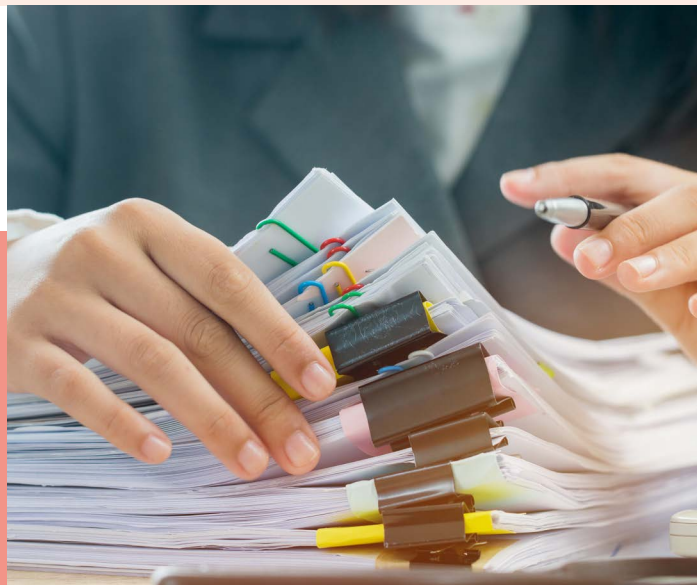
The level of inequality in South Africa's basic education is alarming. While other schools are able to give learners tables and offer extra mural activities, many public schools are not able to cater for basic needs such as hygiene and security. Many of the schools affected by these challenges are township and rural schools. With government struggling to provide sufficient funding to public schools to address these challenges, one area that needs urgent improvement to enable public schools to utilise the limited funding that they get from government effectively and efficiently and also attract additional funding from donors is finance management. The challenges public schools face when trying to source supplementary funds is the trust deficit resulting from the poor state of finances at the schools. The following are the main causes of the deficiencies in the public school finance management environment:

- **There are no uniform guidelines for preparation of public school financial statements.** Section 42(b) of the South African Schools Act requires that each province must issue guidelines for preparation of public school financial statements. Currently not all provinces have issued such guidelines and those that are issued do not address all key financial transaction in the public school environment such as fundraising, textbooks and school fees. As a result, the financial statements issued by public schools are not useful for holding the school governing body accountable for the management of school funds.
- **Schools appointing unqualified individuals to audit or examine their financial statements.** Section 43 of the South African Schools Act requires that the

financials statements of a public school must be audited by a Registered Auditor and where this is not reasonably practicable the school may appoint a person qualified to be an Accounting Officer of a Close Corporation to examine and report on the financial statements. Regrettably, most public schools do not have the necessary expertise to differentiate between a person who is qualified to audit or examine and a person who is not qualified. As a result, the individuals appointed are conducting work that is not in line with international standards and issue reports that are not useful to the basic education departments. Such individuals are also not competent to give the school value adding recommendations that they can implement to improve on how they manage their finances.

- **Persons appointed to handle day to day finances at public schools are not competent to perform this role.** Most public schools have the same person responsible for office administration being responsible for finance administration. As most of them do not have a finance background, they fail to implement critical financial controls to safeguards the school funds and resources against misappropriates, misuse and theft.

The South African Institute of Chartered Accountants (SAICA) has over the years made a concerted effort to collaborate with the national and provincial education departments to support initiatives for building capacity in public school finance management. These efforts include workshops for public school finance committees, facilitating placements of finance interns to provide on-site support for under-resourced public schools and supporting the national education department with developing uniform guidelines for preparation of public school financial statements.



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SAICA laments the continuing practice of appointing fake auditors by governing bodies of public schools

- South African Institute of Chartered Accountants **(SAICA)** – saica.co.za
- South African Institute of Professional Accountants **(SAIPA)** – saipa.co.za
- South African Institute of Government Auditors **(SAIGA)** – saiga.co.za
- South African Institute of Business Accountants **(SAIBA)** – saiba.org.za
- Southern African Institute of Chartered Secretaries and Administrators **(ICSA)** chartsec.co.za
- Chartered Institute of Management Accountants **(CIMA)** – cimaglobal.com
- Chartered Institute of Business Management **(MCIBM)** – chartsec.co.za
- Institute of Accounting and Commerce **(IAC)** – iacsa.co.za

School governing bodies should insist on letters from accounting bodies to confirm the registration of the auditors and accounting officers as the use of fake auditors results in the conduct of audits that is not in line with international standards and issuing of reports that are not useful to the basic education departments, parents and other interested parties. The fake auditors are also not competent to give the school value adding recommendations that they can implement to improve on how they manage their finances. Such reports are misleading to parents, donors and the departments of education and denies such parties the information required to hold the governing body accountable for the management of school funds.

SAICA calls on all provincial education departments to take decisive measures to address this deficiency in the public school audit process by ensuring that they do not accept financial statements that are audited by individuals not registered with the Independent Regulatory board for Auditors.

With the audit cycle for public school financial statements in full swing to prepare for submission to their respective education departments by 30 June 2020, it is concerning that there is still some confusion around who can audit financial statements of a public schools.

The South African Schools Act (SASA) is very clear in that only a person registered as an auditor in terms of the Auditing Profession Act (APA) is allowed to audit the financial statements of a public school.

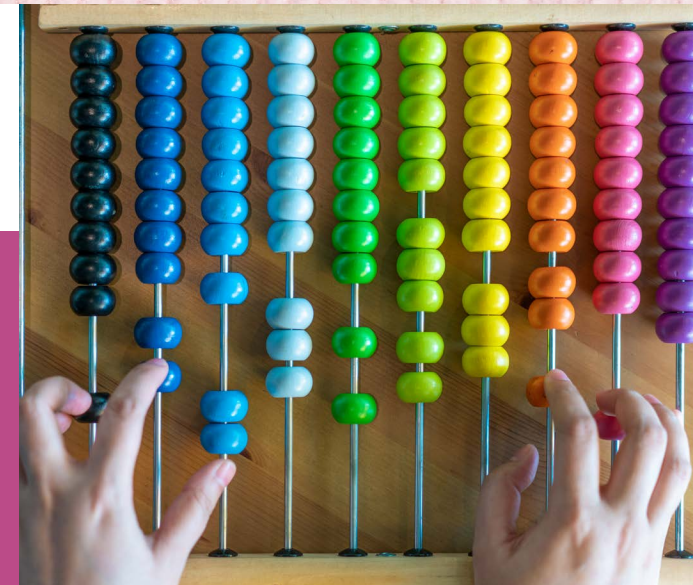
It is with deep concern that SAICA have noticed a prevalence of governing bodies of public schools appointing individuals holding out as auditors without having the necessary registration with the Independent Regulatory Board of Auditors (IRBA)

The Act makes an allowance that where an audit is not reasonably practicable, the governing body of a public school must appoint a person to examine and report on the records and financial statements, who is qualified to perform the duties of an accounting officer in terms of section 60 of the Close Corporations Act or is approved by the Member of the Executive Council (MEC) for this purpose.

All auditors must be registered with the Independent Regulatory Board for Auditors (IRBA) and their registration can be confirmed on IRBA's website at www.irba.co.za.

All accounting officers must be registered with at least one of the following bodies:

- Independent Regulatory Board for Auditors **(IRBA)** – irba.co.za



Author:
Natashia Soopal
Project Director: Public Sector at SAICA

In an era where the financial management in the public sector is seen to be weak, public entities who have strong financial management are forgotten. The Auditor General of South Africa (AGSA) reported little improvement in the 2018-19 PFMA audit outcomes with an increase in irregular and fruitless and wasteful expenditure. The South African Institute of Chartered Accountants (SAICA) recognises departments and public entities who excel in public finance management by awarding them with the Excellence in Public Finance Management Awards. For institution to receive the awards, they must meet the following criteria:

- 3 consecutive Clean Audits (i.e. Financially Unqualified with no material findings on performance information and compliance with laws and regulations);
- Reduction in Irregular Expenditure;
- Reduction in Fruitless and Wasteful Expenditure;
- Reduction in Unauthorised Expenditure;
- Financially healthy (i.e. Total Assets exceed liabilities and current assets exceed current liabilities);
- Achievement of at least 50% of predetermined objectives; and
- Annual report publicly available

The above criteria indicates that the department or public entity has implemented sound financial controls and is sustainable. The criteria includes the achievement of predetermined objectives to ensure that institutions do not chase excellence in finance management at the expense of service delivery.

Best of the best: SAICA Recognises Excellence in Public Finance Management

Based on the AGSA's general report, 40 departments and 60 public entities received clean audits for the 2018-19 PFMA audit outcomes. However, when the above criteria are applied, no departments and only 13 public entities qualified for the Excellence in Public Finance Management Award. The following are the institutions that SAICA recognises as having achieved excellence in public finance management in the 2018-19 financial year:


1. Companies and Intellectual Property Commission
2. Guardians Fund
3. Independent Regulatory Board for Auditors
4. National Energy Regulator of South Africa
5. National Gambling Board
6. National Lottery Distribution Trust Fund
7. National Youth Development Agency
8. Office of the Pension Funds Adjudicator
9. South African Local Government Association
10. East London Industrial Development Zone
11. Gauteng Partnership Fund
12. Saldanha Bay IDZ Licencing Company
13. Western Cape Nature Conservation Board

SAICA congratulates these public entities on their achievement and urges other departments and public entities to improve their financial management by ensuring that:

- **Leadership sets the right tone from the top**
- **Critical positions are filled by officials with the appropriate skills and competencies;**
- **Strong financial controls are implemented; and**
- **Consequence management is implemented.**

TECHNICAL UPDATES

SAICA Resources

Title	Description	How to get it
UGRAP App license 	<p>The UGRAP application contains all the current GRAP standards, directives and interpretations that are simple to use and easy to navigate. The application is available for both iPhone and Android.</p> <p>Cost SAICA members - R389.99 Normal Price - R599.99</p>	<p>To order your UGRAP, send an email to publicsector@saica.co.za</p>
PFMA Legislative Disclosure Check-lists for Financial Statements	<p>This document contains all disclosures required in the annual financial statements of Departments, Trading Entities, Constitutional Institutions and Public Entities in terms of the Public Finance Management Act 1 of 1999 (PFMA) and Treasury Regulations for Departments, Trading Entities, Constitutional Institutions and Public Entities</p>	<p>Click here to download</p>
Integrated reporting in the public sector Frequently asked questions (FAQs)	<p>This FAQs have been developed by the South African Institute of Chartered Accountants (SAICA) primarily to assist public sector institutions who are preparing integrated reports or are planning to prepare integrated reports.</p>	<p>Click here to download</p>
Improving the quality of financial statements	<p>This video is presented by the ASB which discusses issues identified in GRAP compliant financial statements and how to avoid it.</p>	<p>Click here to download</p>
Results of the review of amendments to GRAP 16 and GRAP 17	<p>In this video, the ASB assesses the effectiveness of the amendments to GRAP 16 and GRAP 17</p>	<p>Click here to download</p>
Other technical resources	<p>SAICA has a number of technical resources available to members in the public sector which includes guides, circulars, templates and checklists, techtalk videos, and many more.</p>	<p>Access the technical resources on SAICA's website.</p>



Other Useful Resources

Title	Developed by	Description	How to get it?
Frequently Asked Questions on the Standards of GRAP (updated March 2020)	Accounting Standards Board	These Frequently Asked Questions have been prepared by the Secretariat of the ASB in consultation with the technical division of the Auditor-General of South Africa (AGSA) and the Office of the Accountant-General at National Treasury (OAG) to assist preparers of financial statements on Standards of GRAP.	<p>Click here to access</p>
Accounting Guideline on GRAP 11 – Construction contracts	National Treasury	This document has been prepared by the National Treasury and provides guidance on the accounting treatment and disclosure of transactions arising from construction contracts.	<p>Click here to access</p>
Accounting Guideline on GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets	National Treasury	This document has been prepared by the National Treasury and provides guidance on the recognition and measurement of provisions, as well as the disclosures related thereto. It also provides guidance on the information to be disclosed in the notes to the financial statements about contingent liabilities and contingent assets.	<p>Click here to access</p>
Accounting Guideline on Non-current assets	National Treasury	This document has been prepared by the National Treasury and provides guidance on when and how an entity accounts for its non-current assets.	<p>Click here to access</p>
Municipal Public Accounts Committee (MPAC) – Guide and Toolkit	National Treasury	National Treasury has developed this toolkit with a view to assist councillors serving on Municipal Public Accounts Committees and other key stakeholders to perform their oversight and related responsibilities as elected members.	<p>Click here to access</p>
Standard operating procedures for municipalities	National Treasury	National Treasury has released this manual as a practical guide providing procedural guidelines on the operational management aspects of running a Finance Department of a municipality.	<p>Click here to access</p>

UPCOMING SEMINARS AND EVENTS



Seminar and Event name	Overview	Region	Date	Book
Webcast Techtalk Series: Public Sector	This webcast will cover updates on: Standards of Generally Recognised Accounting Practice (GRAP) International Public Sector Accounting Standards (IPSASs) Public Finance Management (PFMA) Municipal Finance Management (MFMA)	Webcast	Monthly	Click here to book

FEATURE PROFILE

Public Sector Audit Committee Forum

About PSACF

In 2011 the Institute of Directors in Southern Africa (IoDSA), The Institute for Internal Auditors in South Africa (IIASA), the South African Institute of Chartered Accountants (SAICA), The Institute of Risk Management South Africa (IRMSA), National Treasury (NT), the Auditor-General South Africa (AGSA) and Development Bank of Southern Africa (DBSA) embarked on a joint effort to constitute a Public Sector Audit Committee Forum (“PSACF” or “the Forum”) to facilitate guidance of and assistance to members of public sector audit committees.

The activities of the Forum have specific focus on the governance and accountability role and duties of public sector audit committee members

The activities of the Forum are funded by members of the PSACF and the Institute of Directors in Southern Africa act as secretariat for the PSACF.

PSACF’s Objective

The objectives of the PSACF are as follows:

- To raise awareness of matters that relate to the function, duties and composition of public sector audit committees;
- To provide a database of individuals who are experienced and qualified to serve a public sector audit committee members;
- To be alert to and consider matters concerning public sector audit committees in the public domain;
- To provide thought leadership on the function, duties and composition of public sector audit committees by discussing, researching, developing and disseminating position papers and good governance guidance;
- To embark on initiatives that address the development of current or potential public sector

audit committee members;

- To support public financial management, governance, risk and control initiatives to improve audit outcomes across all spheres of government.

Guidance papers

The following papers provide thought leadership on the function, duties and composition of public sector audit committees

- [Audit and risk committees in the public sector](#)
- [Principles for AC’s role in performance management](#)
- [AC’s role in financial analysis in Municipalities](#)
- [Audit Committee Reporting](#)
- [Audit Committee Competency Framework](#)
- [Evaluation of the Internal Audit Function](#)
- [The AC role in external/internal audit process](#)
- [ACs and local government council](#)
- [ToR and annual planner - PFMA](#)
- [Internal audit and the AC](#)
- [Relationship between PSAC and management](#)
- [PSAC Assessment of the finance function](#)
- [Challenges facing Public Sector ACs](#)



TIPS: WORKING REMOTELY

Most employees are working remotely in these trying times. Below are some tips on how to be effective while working remotely

6 Tips for Employers on How to Manage Remote Staff



1. Set Clear Expectations

With remote working leaving the employee more in control of their work day structure, it is down to you as the employer to make your expectations extremely clear.



2. Monitor Progress Regularly

Without the ability to just pop in and catch up with your employees face to face when they are out of the office, this is an important step to schedule in.



3. HR Management Tool

Having HR technology in place, like CakeHR, is going to give you some much needed extra support with your remote workers.



4. Interact Effectively

By interacting with the remote workers, keeping them updated on news from the office and paying interest in the projects they have on will boost productivity.



5. Trust in the Worker

If reliability and trust issues arise from remote working, it's worth having a conversation about whether remote working suits the needs of the individual and company.



6. Explain the Reasoning Why

As an employer, you're more aware of how each person's work is impacting the long-term organizational goals and so this is something you have to explain to them clearly.

Source: blog.cake.hr/working-home-complete-guide-remote-work



6 Tips for Employees to Work From Home Efficiently



1. The Right Equipment

There are many innovations in technology that will make remote working life much easier so it's worth regularly researching what is out there to aid you.



2. Designate a Space for Work

As much as you might want to wake up and work directly from the comfort of your own bed, in the long term it's not going to aid in your productivity.



3. Set Yourself Working Hours

Set some rigid working hours where you shut everything off and focus on the work that needs your attention.



4. Get Some Structure in Place

Structure your workday by planning out which tasks need to take priority and how many hours you are going to spend on each job.



5. Always Communicate

It is beneficial if you can supplement email or text communication with frequent face-to-face and voice interactions depending on what type of discussion you are having.



6. Use Flexibility Wisely

You know better than anyone when you do your best thinking and working so take advantage of it.

Source: blog.cake.hr/working-home-complete-guide-remote-work

SHARE YOUR INSIGHTS... AND STAND A CHANCE TO WIN

Share your insights and view and stand a chance to win a UGRAP license and have your response published in the next issue of the Public Sector Thought Leader Quarterly Newsletter.

The winner will be selected from all the responses that comply with the submission criteria by way of a raffle.

What is the key process/es that you have implemented to ensure that your financial statements is GRAP compliant?

Submit your responses by completing the [submission form](#) by 23 April 2019.

What our readers had to say from the last quarter....

Question:

Does the competence of the audit committee have an impact on the audit outcome of a public institution?

Many respondents believed that appointing suitably qualified people, good corporate governance and accountability are key to achieving clean audit.

The **winner** from the last quarter is Farhaan Shamsodeen from PSETA.

This is what Farhaan had to say about the competence of the audit committee:

Yes. The audit committee needs to have a diverse range of skills and understanding of the institution (finance, IT, performance, compliance) and provide insight and recommendations that assist the entity in avoiding audit findings.

Congratulations to Farhaan!

SAICA'S PUBLIC SECTOR OFFERING

SAICA has a dedicated public sector division to support members in the public sector. Members receive support as follows:

1 Thought leadership

Members receive regular thought leadership articles on emerging issues in accounting, assurance, governance, risk management, technology and other developments that may affect the future of the profession.

2 Technical Update

Members receive regular updates on SAICA social media platforms and a monthly newsletter outlining recent developments in standards and legislation.

3 Technical Resources

Members have access to guides, handbooks, tools, templates, and other resources to support them in the public sector.

4 Technical Support

Members are able to log technical queries on the [SAICA Online Technical Query System](#) and receive guidance from SAICA staff.

5 Seminars and Events

Complimentary and discounted access to [SAICA seminars and events](#).

6 The division is also responsible for:

- Advocating, lobbying and influencing for fit-for-purpose legislation, standards, policies, processes and systems in the public sector.
- Public Finance Management Capacity building projects to support the professionalisation agenda in public finance management



Meet the team



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