

30 November 2017

Imran Vanker
Director: Standards
Independent Regulatory Board for Auditors
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Dear Imran

DELOITTE RESPONSE TO THE PROPOSED SOUTH AFRICAN PRACTICE STATEMENT – FINANCIAL REPORTING FRAMEWORKS AND THE AUDITOR'S REPORT (PROPOSED SAAPS 2)

We appreciate the opportunity to provide our comments on the Proposed SAAPS 2 (The Proposed Practice Statement) for determining the acceptability of the financial reporting framework applied in the preparation of a set of financial statements, as issued by the Independent Regulatory Board for Auditors (IRBA).

We have separated our comments into two sections:

- **Response to request for specific comments** – this provides comments to the specific questions posed by the IRBA in the explanatory memorandum.
- **General comments on the Proposed Practice Statement** – this provides other general comments based on the Proposed Practice Statement.

RESPONSE TO REQUEST FOR SPECIFIC COMMENTS

Whether you agree that in the case of public sector entities, the National Treasury is a recognised accounting standard setter in South Africa because of its introduction of the Modified Cash Standard. This is in addition to the Accounting Standards Board (ASB), which was already recognised in the extant SAAPS 2 (Revised November 2013).

We agree with the view that the National Treasury is a recognised accounting standard setter in South Africa.

International Standard on Auditing 210 – Agreeing the terms of Audit Engagements (ISA210) paragraph A8 states, "At present, there is no objective and authoritative basis that has been recognised globally for judging the acceptability of general-purpose frameworks. In the absence of such a basis, financial reporting standards established by organizations that are authorized or recognized to promulgate standards to be used by certain types of entities are presumed to be acceptable for general purpose financial statements prepared by such entities, provided the organizations follow an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders. " The application guidance refers to the presumption that reporting standards established by authorised organisations to be used by certain type of entities are accepted as general-purpose framework. The presumption applies if the organisation follow an established and transparent process involving deliberation and involvement of views of a wide range of stakeholders.

National Executive: *LL Barn Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer *MJ Jarvis Chief Operating Officer
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A full list of partners and directors is available on request

* Partner and Registered Auditor

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Based on the description of the process followed and the due process in paragraphs 11 to 16 of the Modified Cash Standard, the Office of the Accountant-General (OAG) considered best practices, both locally and internationally, the capacity of departments to comply with the reporting requirements and the systems used by departments in preparing and collating the information required to comply with the reporting requirements, when it developed the Modified Cash Standard. The OAG also made use of the pronouncements issued by the Accounting Standards Board (ASB); International Public Sector Accounting Standards Board (IPSASB); and other organisations that develop financial reporting, accounting and auditing requirements.

The due process followed by the OAG in the National Treasury while setting the Modified Cash Standard is similar to that followed by the ASB. Both the statements of Generally Recognised Accounting Practice (GRAP) as set by the ASB, and the Modified Cash Standard were developed through a due process that involved accountants, auditors, preparers, regulators and users of financial information in the public sector. The process also involved request for and consideration of comments on the proposed draft Modified Cash Standard published on the OAG's website for a period to allow interested parties to consider and comment on the Standard. The OAG considered all the comments received and made modifications where appropriate. The process followed as described above indicates that common needs of a wide range of users were taken into account.

Paragraph A5 of ISA 210 states, "Many users of financial statements are not in a position to demand financial statements tailored to meet their specific information needs. While all the information needs of specific users cannot be met, there are financial information needs that are common to a wide range of users. Financial statements prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users are referred to as general purpose financial statements."

The Modified Cash Standard has been set to meet the information needs of a wide range of users as described in paragraphs 12 to 14 of the Modified Cash Standard, and would qualify as a general purpose framework.

GENERAL COMMENTS ON THE PROPOSED PRACTICE STATEMENT

We suggest that Appendix 3 be updated to include the instances where the Modified Cash Standard is the prescribed financial reporting framework.

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We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please do not hesitate to contact Liezl du Plessis, Partner, at 012 482 0126 or 082 374 2765.

Yours faithfully,



Liezl du Plessis
Deloitte & Touche
Partner