

## Ian Mtegha

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**From:** Mahendrin Moodley  
**Sent:** 04 December 2017 09:34 AM  
**To:** Ian Mtegha  
**Subject:** Proposed SAAPS2 - comments from the Inspections Department of the IRBA

Hi Ian

We do not have any comments or changes to the proposed SAAPS2. However, on the question of whether, in the case of public sector entities, the National Treasury is a recognized accounting standard setter in South Africa due to its introduction of the Modified Cash Standard, we would like to highlight the below:

1. National Treasury has issued the modified cash standard which national and provincial departments report on,
2. When National Treasury issued the standard it was approved through the Office of the Accountant General,
3. Due process was followed that involved accountants, auditors, preparers and the users of the departmental financial statements (although we were not aware of the request for comments).
4. The users of governmental financial statements:
  - o Parliament / Provincial Legislatures;
  - o Elected officials;
  - o National / Provincial Treasuries;
  - o The public (including taxpayers and employees of the department);
  - o Donors;
  - o Statisticians & economists;
  - o Suppliers and creditors;
  - o Present and potential institutional and individual lenders, including purchasers of government bonds;
  - o Other Governments; and
  - o The media.

Therefore, National Treasury can be recognized as a standard setter, however, for the modified cash standard to be used by national and provincial departments. Further that standard will be a general purpose framework.

We would like to highlight that there may be an independence issue as National Treasury would consolidate the results of National and provincial departments, and there may be a perverse incentive to change the standard to show a better view of South Africa's sovereign position. Any changes to the standard should follow a due, fair and transparent process that is aligned to that of other standard setters locally and international to ensure that the aforementioned concern is appropriately addressed."

Thank you,

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