



Accounting Standards Board

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**MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE
ACCOUNTING STANDARDS BOARD HELD ON 6 SEPTEMBER 2018 AT
THE ASB'S OFFICES IN MIDRAND**

CHAIRMAN L Bodewig

MEMBERS OF THE COMMITTEE

BOARD REPRESENTATIVES

F Abba (Left at 12:00)

C Braxton

I Lubbe

REPRESENTATIVE OF THE AGSA

M Mentz

SECRETARIAT E Swart

EX OFFICIO

J Poggiolini Technical Director

A Botha Project Manager

T Tshoke Project Manager

E van der Westhuizen Project Manager

Board Members: Ms F Abba, Ms L Bodewig, Mr C Braxton, Mr K Hoosain, Ms I Lubbe, Mr K Makwetu,
Ms P Moalusi, Ms Z Mxunyelwa, Mr V Ndzimande, Ms N Themba,
Alternate: Ms M Sedikela
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

1. WELCOME AND APOLOGIES

Members were WELCOMED to the meeting by the Chairperson. Apologies were NOTED from V Ndzimande.

2. DECLARATIONS OF INTERESTS

Members were ASKED to declare if they had any interests in any of the agenda items being discussed. No declarations were NOTED.

MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were APPROVED without amendment.

3. MATTERS ARISING

The Secretariat TABLED a memorandum at the meeting of the matters arising from previous meetings. The following was NOTED:

- The Prefaces would be reviewed as part of the Review of Directive 12 which will commence in 2019. This review has been included in the proposed Project Brief for 2019 for discussion.
- The Research Paper on the *Presentation of Information in the Statement of Financial Performance* was published in July 2018.
- The examples in GRAP 17 on landfill sites and quarries will be reviewed when the Improvements Project is undertaken in 2019.
- The letter to the OAG on the results of the project on preparing the legislative consolidated financial statements was sent in July 2018. No feedback has been received from the Acting Accountant-General as yet.
- There has been no further feedback on the reporting framework for tribal authorities. It was agreed that this should be discussed under emerging issues.

TECHNICAL MATTERS

Draft Directive on *The Use of Standards of GRAP by Entities that Apply IFRS Standards*

4.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Minutes of the Project Group meetings held on 15 August 2018.
- Proposed Directive on *The Use of Standards of GRAP by Entities that Apply IFRS Standards*.
- Invitation to Comment on the proposed Directive.

4.2 The Committee NOTED the background to the development of the proposed Directive, which aims to provide guidance to public entities that apply IFRS Standards in terms of Directive 12 on the following:

- when, and in what circumstances an entity may consider a Standard of GRAP when formulating an accounting policy;

- whether a Standard of GRAP should be adopted or only considered in developing the accounting policy; and
- whether a conflict exists between the *Conceptual Framework for General Purpose Financial Reporting* (GRAP Conceptual Framework) and the *Conceptual Framework for Financial Reporting* issued by the IASB (IFRS Conceptual Framework).

4.3 It was NOTED that two project group meetings were held on 15 August 2018 where project group members raised a number of concerns that require the Committee's input.

Appropriate body to issue the guidance on the application of IAS 8

4.4 It was NOTED that project group members questioned whether providing guidance on the application of an IFRS Standard is within the Board's mandate, or whether the guidance should be developed by the Financial Reporting Standards Council (FRSC) or the National Treasury.

4.5 It was NOTED that, as the FRSC is currently awaiting confirmation from the Minister of Trade and Industry on the appointment of its Board members, the Secretariat intended to engage with the FRSC after the Exposure Draft was issued by the Board. The project group members recommended that an engagement should take place prior to the issue of the Exposure Draft.

4.6 The Committee DEBATED the appropriate body to issue guidance on the application of IAS 8.

4.7 Board members NOTED that (a) the PFMA mandates the Board to determine the reporting framework for entities in the public sector, and (b) the Board is developing guidance that will only be applied by public entities that apply IFRS.

4.8 It was QUESTIONED whether Directives issued by the Board would be seen as an "IFRS plus" framework for IFRS public entities. As the PFMA permits the ASB to issue Directives, Directives become secondary legislation once issued by the Board. Public entities, including those that apply IFRS, would need to consider any Directives issued by the Board in preparing their financial statements, as they need to consider any legislative requirements in reporting transactions or events. Members NOTED that the application of the Directives would be similar to other regulators, such as the JSE, issuing guidance to equity issuers that apply IFRS.

4.9 The Committee AGREED that, as public entities that apply IFRS have a broader accountability responsibility to report on their activities, the Board is the appropriate body to develop guidance on the application of IAS 8 for public entities that apply IFRS.

4.10 The Committee AGREED that the basis for conclusions should be expanded to explain why the Board is the appropriate body to issue guidance based on the fact that:

- (a) public entities that apply IFRS are required to consider pronouncements issued by the Board as part of the legislative reporting requirements in preparing their financial statements;

- (b) these entities operate in the public sector means and have a level of public accountability beyond the IFRS Framework; and
- (c) that the proposed guidance will not be applicable to all the entities that apply IFRS Standards, but is limited to those public entities that IFRS when they meet the criteria in Directive 12.

Secretariat

4.11 The Committee also AGREED that an engagement should take place with the FRSC prior to the Board issuing the proposed guidance. It was also AGREED that the National Treasury is not the appropriate body to issue guidance on the application of IFRS by public entities.

Secretariat

4.12 It was DEBATED whether entities should be required to first consider Standards of GRAP before the pronouncements of other standard-setting bodies that use a similar conceptual framework. It was DEBATED whether the FRSC could be requested to issue this guidance. It was AGREED that the Board could not make this recommendation, but that the FRSC could be requested to do so as the standard setter for IFRS in South Africa.

Secretariat

Scope of guidance to be provided in the proposed pronouncement

- 4.13 It was NOTED that project group members recommended that the scope of the pronouncement should be modified to explain when it would be permissible for an IFRS entity to move away from formulating an accounting policy based on an equivalent IFRS Standard or the IFRS Conceptual Framework. Project group members indicated that, in their view, it is unlikely that an IFRS entity will be able to depart from either an IFRS Standard or the IFRS Conceptual Framework when formulating an accounting policy.
- 4.14 Some members NOTED that in the private sector, entities consider pronouncements of other standard-setters, such as US GAAP, in the absence of an IFRS Standard that deals with a specific transaction or event.
- 4.15 The Committee DEBATED whether the scope of the proposed guidance should be expanded to explain when it is permissible for an IFRS entity to move away from the IFRS Standards or the IFRS Conceptual Framework.
- 4.16 Some members NOTED that, if the scope of the proposed pronouncement is expanded, criteria would probably need to be developed. As such, the proposed pronouncement will be developing new requirements, rather than explaining the existing principles in IAS 8.
- 4.17 Other members NOTED that some guidance should be provided on when an entity can move away from the IFRS Standards or the IFRS Conceptual Framework when formulating an accounting policy.
- 4.18 It was AGREED that the proposed pronouncement should include explanatory guidance. The guidance should focus on whether developing an accounting policy based on an existing IFRS meets the qualitative characteristics in the Conceptual

Framework, and should clarify that the accounting policy to be developed should be relevant to the economic decision making needs of users.

Secretariat

- 4.19 It was AGREED that the proposed pronouncement should clarify that (a) an entity may not apply the pronouncement of another standard-setter if an IFRS exists, and (b) an entity should not depart from using an equivalent IFRS Standard or the IFRS Conceptual Framework to achieve a specific outcome.

Secretariat

Appropriate mechanism to provide guidance on the use of Standards of GRAP by IFRS entities

- 4.20 It was NOTED that, in developing the project brief, the Board agreed that a Directive should be developed. Based on the discussion about the legislative implications of issuing Directives, the Committee CONFIRMED that a Directive is the appropriate mechanism.

Secretariat

Conflict between the GRAP Conceptual Framework and IFRS Conceptual Framework

- 4.21 It was NOTED that the basis for conclusions of the proposed pronouncement highlighted some differences between the GRAP and IFRS conceptual frameworks, and concluded that these differences are unlikely to result in a conflict between the two conceptual frameworks. The basis for conclusions clarified that an entity should make its own assessment on whether such a conflict exists based on its specific circumstances.
- 4.22 It was NOTED that some project group members were of the view that a conflict exists between the two conceptual frameworks. In their view the concept of service potential is a significant difference between the public and private sector. They were of the view that if the concept of service potential is applied by IFRS entities, it may result in the recognition of additional and/or different assets and liabilities.
- 4.23 The Committee DEBATED the project group's view. Some members were of the view that the concept of economic benefits encompasses service potential. They noted that for IFRS entities, service potential is what enables the entity to generate economic benefits. The public sector, because of its nature, is not able, or has no intention to, generate economic benefits. It was also NOTED that there is a difference between service potential and service delivery. As a result, the Committee did not believe there was a conflict in the definitions, and consequently the recognition criteria. Members also did not believe that there was a conflict in the measurement bases.
- 4.24 It was AGREED that the basis for conclusions should comprehensively explain these issues. Members also NOTED that the Directive and basis for conclusions presumes that the reader is knowledgeable about the requirements of Standards of GRAP. As public entities that apply IFRS will be applying the Directive, more explanatory guidance may be needed.

Secretariat

4.25 It was AGREED that the engagement with the FRSC should also discuss whether a conflict exists between the two conceptual frameworks. Following this discussion, the Secretariat should assess what additional explanatory guidance should be included in the basis for conclusions on the differences between the two conceptual frameworks.

Secretariat

Results of Research on Reporting Information to Citizens

5.1 The Secretariat TABLED a memorandum.

5.2 The Secretariat PROVIDED background to the project and the research conducted.

5.3 The Secretariat SHARED the following results of the research with the Committee:

- Who is considered to be “the public” for purposes of the project.
- The public’s information needs, the types of information the public needs, the attributes of that information, and the level of government from which they need the information.
- The information that is currently available to the public.
- Challenges in the current environment.
- Assurance on information provided to the public.
- The need for information that the public can use to hold government accountable, i.e. information that links the budget, financial and performance information; information related to service delivery; information on capital expenditure, including maintenance of assets; and financial viability information.
- It was noted that for information to be useful, it should be reported in a simple and concise manner so that everyday members of the public can understand it and easily access it from a central point. It should also be reported in a timely manner. It was further noted that, for information to be useful, it should be reliable, and reliability is improved if the information is audited. Matters to be considered before auditors can provide assurance on reported information were noted.
- The public is most interested in information that affects their everyday lives, and feel they can best hold government accountable at a local government level, per ward and for specific projects.
- The research identified that there are various platforms with information currently available. However, a number of challenges in the current environment, such as financial illiteracy of the public, inaccessibility of information, and unreliability of available information, prevent the public from being able to access and effectively use the information that is currently available.

Sufficiency of consultation

5.4 A member QUESTIONED whether consulting ward councillors about the information the public requests from them, was considered. The Secretariat NOTED that ward councillors were not consulted as a means to understand the information needs of the public. The Committee AGREED that this can be considered in the next phase of the project.

5.5 It was AGREED that sufficient consultation and research was undertaken in the first phase of the project.

Proposals to progress the project

The public

5.6 A member QUESTIONED the use of the term “public” when describing the group whose information needs are considered in this project. The question was raised with reference to when a budget is considered to be made publicly available in GRAP 24, and whether tabling the budget with elected representatives is considered to be making the budget publicly available. A member also NOTED that the project previously referred to “citizens” instead of the current term “public”.

5.7 The Committee CONCLUDED that there are no objections to using the term “public” to describe the specific group whose information needs is considered in this project, as it is clearly described in the results of the research. It was AGREED to change the description of “the public” as follows:

- “municipal rate payers” will change to “tax payers”, so that the focus is not perceived as being on local government.
- “businesses” will change to “organisations”, as “businesses” could be interpreted to only include profit-driven organisations.

Options for the Board to consider

5.8 The Secretariat NOTED the Board’s mandate, and explained the phased approach that the Board could consider in addressing the public’s information needs.

5.9 The Committee DEBATED what the Board could consider that would be within its mandate. The following was DISCUSSED and CONSIDERED:

- Although segment reporting is not yet effective for municipalities, reporting to the public could build on the information reported in segment reports to include the types of information the public needs.
- The International Integrated Reporting Framework outlines the pillars on which information should be reported, and that it may be useful to consider in this project.
- The entities from which the public needs information include national and provincial public entities. State-owned entities, and therefore entities that apply IFRS Standards, are therefore also included.
- A people’s guide on financial statements would close the loop from the National Treasury’s people’s guide on the budget, to inform the public of how the budget was spent.
- Reporting of key information to the public in a visually appealing and easily understandable manner, outside of financial statements, is necessary. This could be introduced through a Guideline that is not mandatory and not part of the GRAP reporting framework, possibly starting with metropolitan municipalities based on information already available.

5.10 The Committee NOTED that prescribing reporting requirements that will meet all the information needs of the public could be challenging for the Board, for the following reasons:

- Reporting the types of information that the public needs and the frequency of when they need it is not aligned to the Board's mandate. It is unclear how reporting information to the public is part of annual reporting.
- The Board's pronouncements address the needs of a wide range of users, whereas only the information needs of the public (one group of user) is considered in this project.
- Given the current reporting fatigue, entities are likely unable to undertake any new reporting requirements at present.
- As information currently available is often unreliable, reporting using this information would likely also be unreliable.
- Financial literacy of the public remains a challenge.
- The project may be premature, given the developments in the current environment by other organisations such as the National Treasury, who is developing platforms that make information available to the public.

5.11 The Committee PROPOSED that the Board considers the following to progress the project:

- (a) The results of the research could be made public. Instead of publishing it in a Research Paper, which includes the factual findings from the research, the Board could consider developing a Guideline. Based on the results of the research, the Guideline could provide guidance to entities that want to report information to the public, on what they should consider when reporting to the public. The Guideline could include illustrations of the reporting to the public.
- (b) The information needs of the public identified through the research can be compared to the current requirements of the Standards of GRAP. Where possible, the requirements of the Standards could be reconsidered to better address the public's information needs.
- (c) The development of standardised key financial performance measures can provide information to the public about how well an entity has performed.

5.12 Regarding (c), the Committee NOTED that a project on the presentation of information in the statement of financial performance is included in the Board's proposed work programme consultation for 2021 – 2023. It was AGREED that, while the project aims to identify whether certain sub-totals etc., should be reported, the matter could be considered as part of that project.

Secretariat

5.13 The Committee AGREED that the Secretariat could share the public's information needs with the National Treasury, to consider in the platforms they are developing.

Secretariat

5.14 The Committee AGREED that a discussion could be held with the National Treasury on the development of educational material for the public.

Secretariat

Consultation on ASB's Work Programme 2021 to 2023

6.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Proposed Exposure Draft on *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2020 to 31 March 2023*.

6.2 The Secretariat NOTED that, when preparing the proposed Exposure Draft, there were no specific proposals by the IPSASB for its work plan for 2019-2023 as they were still analysing the comments. Since then, the papers for the September 2018 meeting were published, with specific proposals from the Task Force overseeing the work plan. The Secretariat provided the following feedback regarding the preliminary proposals of the Task Force:

- Two projects to be added to the work plan on public sector specific issues, i.e. natural resources and a review of the Conceptual Framework.
- No specific projects identified for the alignment of IPSAS with IFRS.
- Utilising the national standard-setters to undertake research on topics, e.g. discount rates, differential reporting, presentation in the financial statement (link to better communication initiative of the IASB), and tax expenditures.
- Establishing a Task Force to investigate how the IPSASB could play a role in interpretation issues arising from the application of IPSAS.

6.3 Members QUESTIONED whether the IPSASB would ask specific standard-setters to undertake specific research. The Secretariat NOTED that there is no specific detail about how the standard-setters could be involved in the research projects of the IPSASB, and that clarity should be sought at the September meeting on this issue.

6.4 Members ASKED whether specific time needs to be set aside on the work plan to deal with these issues. The Secretariat NOTED that the proposal is to reduce the number of projects per staff member over 2021-2023 to allow for more involvement in the IPSASB's activities. Depending on what is required and the nature of the project, this research could be accommodated within this specific proposal already.

Set Standards of GRAP – Local initiatives

6.5 The Secretariat EXPLAINED the process followed to identify the projects proposed in the Exposure Draft. Members were satisfied with the process.

6.6 The Secretariat NOTED that potential projects on the presentation of information in the statement of financial performance, the liquidation basis of accounting, and a review of GRAP 3 were identified.

6.7 Members QUESTIONED how pervasive the need is for guidance on the liquidation basis of accounting. It was NOTED that the feedback to the Exposure Draft will assist in understanding whether the need is pervasive and/or urgent. The Secretariat NOTED

that the FRSC has received a similar request from its stakeholders, so it may be an opportunity to collaborate should the FRSC decide to develop guidance.

- 6.8 Based on the discussions in the project on reporting information to citizens, members AGREED that the project on presentation of information in the statement of financial performance should be separated into two parts: (a) dealing with the presentation of revenue and expenses in the statement of financial performance, and (b) discussing whether measures of performance should be identified for public sector entities.

Secretariat

Set Standards of GRAP – Alignment with international Standards

- 6.9 The Secretariat EXPLAINED that, in identifying potential projects, the documents issued by the IPSASB and IASB were reviewed to identify potential gaps, and the current projects of the IPSASB were reviewed to identify whether any projects will be completed during 2021-2023.

- 6.10 The Secretariat NOTED that, based on this analysis of the pronouncements in issue and the expected completion of projects, it believed that potential projects could be undertaken on public sector combinations, revenue (parts I and II), leases, and social benefits. The Secretariat NOTED that while IFRS 17 on *Insurance Contracts* may have relevance for the public sector, it is a complex topic. Developing an equivalent Standard or guidance on its application will require specific skills and may be resource intensive. The Secretariat also PROPOSED developing an equivalent of IFRIC 22 on foreign exchange transactions.

- 6.11 Members DISCUSSED the following:

- Social benefits – The link between social benefits and IFRS 17 is important, and if entities locally will be affected, then the ASB should develop guidance. The Secretariat explained that based on the proposals in the Exposure Draft on social benefits on when entities could apply IFRS 17 by analogy, there is likely only one entity that qualifies. That being said, there could be other “insurers” in the public sector who do not provide social benefits, but who should be applying IFRS 17. It was AGREED that the discussion in the Exposure Draft should explain these aspects rather than focus on skills and resources needed to undertake the project.
- Revenue – Concerns were expressed about starting work on phases I and II of revenue, with part III only being completed in 2021. Commencing any work in this area may mean having to issue documents only to review them once the final IPSAS(s) are issued. This was not seen as efficient. Part II on the revision of guidance on taxes and transfers could go ahead, but again, it may not be the most efficient way of revising the Standards. It was AGREED that revenue should be removed from the list of possible projects for the reasons above.
- Specific matter for comment – It was AGREED that the question should be modified as there are only three projects to undertake.

Secretariat

Promote the adoption of Standards of GRAP

- 6.12 The Secretariat EXPLAINED that there were no specific projects on this objective other than to develop transitional provisions for any new Standards issued or amendments to existing Standards.
- 6.13 Members NOTED that a Gazette was published by the Department of Higher Education and Training indicating that the CET colleges should apply Standards of GRAP. The Secretariat was unaware of the Gazette and will follow up with the Department. Paragraph 42 may need be revised as a result.
- 6.14 Members AGREED that the wording in paragraphs 40 and 41 should be revisited to merely indicate that no decision has been made on the adoption of accrual accounting by departments.
- 6.15 The Secretariat EXPLAINED that it had received feedback from stakeholders that guidance is needed to educate users of the financial statements on what they mean, their role, making links between the financial statements and budget, etc. Development of this guidance could be taken onto the work programme, but this would mean sacrificing another project.
- 6.16 Members AGREED that the Exposure Draft should include this as a possible project, but that the resource implications and impact on the work programme should be made clear.

Monitor the application of the Standards

- 6.17 The Secretariat EXPLAINED that at present, proposals are made to undertake one post-implementation review given the resource implications, and two reviews. Post-implementation reviews could be undertaken on any Standard, including those that will be implemented in 2019 and 2020 (with some exceptions given the three year relief provided in some instances). Similarly, reviews could be undertaken on any Standard, although some specific suggestions are included in the Exposure Draft based on queries received, discussions held, etc.
- 6.18 Members QUESTIONED whether there should be a post-implementation review of GRAP 24. The Secretariat NOTED that, because one of the aims of the post-implementation reviews is to consult with users, it may be better to first review compliance with the Standard as users may not be receiving all the information they require.
- 6.19 Members QUESTIONED whether application of GRAP 12 on *Inventories* was an issue in practice. Some members OBSERVED that the reconciliation is not well presented, and entities do not know how to deal with losses of inventory and how/where to report them. It was AGREED that a review of GRAP 12 should be added to the list of possible Standards to be reviewed.

Secretariat

General

- 6.20 Some members QUESTIONED whether the Board should be doing work on XBRL given that the CIPC requires all companies to file financial information with them on XBRL. The Secretariat NOTED that the representative of the CIPC dealing with these

returns indicated that companies that do not report on IFRS will not be required to submit XBRL submissions.

Number and mix of projects

6.21 The Secretariat NOTED that it previously proposed three projects per project manager per year. For this work programme cycle, the Secretariat is proposing two projects per project manager per year. This would allow more time to be allocated to the IPSASB's activities. This additional time is needed given the number of complex topics the IPSASB is working on at present. Members SUPPORTED the proposal.

6.22 The Secretariat OUTLINED the mix of projects across the strategic objectives. It was NOTED that two additional new projects could be undertaken, depending on the outcomes of the projects on reporting to the public and developing GRAP for small entities. Members AGREED that the mix of projects was appropriate.

Review of the Exposure Draft

6.23 Members AGREED that the status of projects should be simplified in the Background section.

6.24 Editorial comments were NOTED.

Secretariat

6.25 Subject to the amendments, the proposed Exposure Draft was RECOMMENDED to the Board for its approval.

GRAP Reporting Framework for 2019/2020

7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Proposed Annexure to Directive 5 outlining the GRAP Reporting Framework for 2019/2020.

7.2 The Secretariat EXPLAINED that the changes made relate to the promulgation of the effective dates of a number of Standards of GRAP. Two additional amendments resulted from Interpretations issued by the IFRIC.

7.3 Members SUPPORTED the proposed amendments. It was however SUGGESTED that the title of FET colleges be renamed to "TVET" colleges. It was AGREED that this would be raised at the Board meeting.

Secretariat

7.4 Members SUPPORTED the Secretariat's view that no due process is needed.

7.5 Members RECOMMENDED the proposed GRAP Reporting Framework for 2019/2020 to the Board for its approval.

EMERGING ISSUES

8.1 The Secretariat TABLED a memorandum at the meeting outlining progress on emerging application issues reported at the last meeting.

8.2 The Secretariat NOTED the following:

- No requests had been received from the OAG on the measurement date issue for heritage assets.
- The entity whose request for exemption from applying Standards of GRAP had been denied, is still engaging with the OAG on the matter.
- No issues have been raised with the Secretariat on principals and agents. This item will be kept on the emerging issues during the MFMA cycle so that developments are monitored.

8.3 The representative of the National Treasury NOTED the following:

- There was no specific feedback on the reporting framework for tribal authorities. The National Treasury reviewed the reporting framework for schools issued by SAICA to see if it would be suitable for these entities. It was exploring ways in which to differentiate entities so that different reporting frameworks could be applied.
- There were views in the Western Cape on whether an entity is a principal or an agent is a legal matter.

Feedback would be provided on these issues at the next meeting.

Secretariat

8.4 Members NOTED that the key issue in identifying the reporting framework for tribal authorities is whether the reports are general or specific purpose. It was NOTED that it is difficult to engage with non-accountants on these types of conceptual issues. It was also OBSERVED that the IPSAS on the cash basis of accounting may be useful.

9. ADMINISTRATION

Work programme and performance to date

- 9.1 The Secretariat TABLED the updated work programme and the report on the achievement of the quarterly targets.
- 9.2 The Secretariat NOTED that the only changes to the work programme were those agreed at the last Board meeting and changes to align with the work programmes of the IASB and IPSASB.
- 9.3 Based on the discussions at this meeting, the project timelines for the proposed Directive on *The Use of Standards of GRAP by Entities that Use IFRS Standards* would need to be revised and amendments made to the work programme.
- 9.4 The targets for the quarter were all likely to be achieved with the exception of not issuing the Draft Directive.
- 9.5 Members ASKED if the articles are publicly available. The Secretariat NOTED that they can be accessed on the website.

Project briefs for projects to be commenced in 2019/2020

- 9.6 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Project Brief on *Combined Financial Statements*.

- Project Brief on *Improvements Project*.
- Project Brief on *Cash Flow Statements*.
- Project Brief on *Employee Benefits*.
- Project Brief on Review of Directive 12 *Determining an Appropriate Reporting Framework by Public Entities*.
- Project Brief on Review of GRAP 103 *Heritage Assets*.

9.7 The Secretariat EXPLAINED that, with the commencement of these projects in 2019, all projects on the three year work plan would have been undertaken, with the exception of promoting the adoption of accrual accounting (for reasons outside the ASB's control), and developing transitional provisions for CET colleges as there was no clear decision from the DHET on this matter.

9.8 The following was DISCUSSED:

- Combined financial statements – The key issues should be AMENDED to make it clear that the Standard is likely to be voluntary (i.e. if entities want to prepare this information, this is how it should be reported), and that publishing combined financial statements is not a substitute for preparing legislated financial statements, including consolidated financial statements required by legislation and/or the Standards of GRAP.
- Improvements to the Standards of GRAP – It was QUESTIONED whether the references to the Conceptual Framework should be updated. It was AGREED that a footnote would be added to each Standard, which was done when the 2018 Handbook was published. Any amendments to existing Standards will only arise when specific revisions are made to individual Standards.
- Use of the Cash Flow Statement – The key issues should be AMENDED to include considering whether GRAP 24 should be revised to resolve the issues experienced.
- Employee Benefits – It was QUESTIONED whether the impact should be made “medium” instead of “low”. The Secretariat NOTED that the actual effect on the financial statements in Rand-terms should be low given the departure from the IPSAS on the use of the corridor method when GRAP 25 was initially issued. Members NOTED that there may be unintended consequences of revising the Standard, particularly where entities are applying inappropriate practices (e.g. disclosure of actuarial gains and losses in revenue rather than as part of the employee benefits line item).
- Review of Directive 12 – It was AGREED to add an issue on recurring “bailouts” and whether this impacts on the choice of reporting framework.
- Post-implementation review of GRAP 103 – It was AGREED to add an issue on the measurement date considerations and the impact of the exemption being granted.

Secretariat

10. INTERNATIONAL STANDARD SETTING ACTIVITIES

- 10.1 The Secretariat TABLED the comment letter to the IPSASB on its *Improvements to IPSASs, 2018*.
- 10.2 The Secretariat NOTED that the comment letter was developed based on feedback received locally from stakeholders. The comments will be considered by the IPSASB at its September meeting.

CLOSING REMARKS

- 11. The remaining meeting date for 2018 was NOTED. Members were THANKED for their participation and the meeting was ADJOURNED at 13:00.

Prepared by: J Poggiolini 7 September 2018

Reviewed by: L Bodewig

Issued:

Signed: _____