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**MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE  
ACCOUNTING STANDARDS BOARD HELD ON 13 NOVEMBER 2018 AT  
THE ASB'S OFFICES IN MIDRAND**

**CHAIRMAN** L Bodewig

**MEMBERS OF THE COMMITTEE**

**BOARD REPRESENTATIVES**

F Abba

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**

3.1 The minutes of the previous meeting were TABLED at the meeting.

3.2 It was AGREED that paragraph 4.10(b) should be amended as follows: replace 'and' with 'they'.

3.3 It was DEBATED whether the word 'National Treasury' in paragraph 4.11 should be the 'Office of the Accountant-General'. It was AGREED that National Treasury is the entity issuing the document, and the reference should be retained.

## **4. MATTERS ARISING**

The Secretariat TABLED a memorandum at the meeting of the matters arising from previous meetings. The Secretariat NOTED that some of the matters will only be resolved in future projects. The actions on the following items would be discussed at the meeting:

- Development of the Directive for entities that apply IFRS Standards.
- Accounting by tribal authorities.
- Timeline for the development of the Research Paper on reporting of information to the public.

## **TECHNICAL MATTERS**

### ***Accounting for Adjustments to Revenue***

5.1 The Secretariat TABLED the following at the meeting:

- (a) Memorandum from the Secretariat.
- (b) Minutes of the project group meetings held on 15 and 16 October 2018.
- (c) Summary of written comment received on ED 164 and ED 165.
- (d) Summary of verbal comment received on ED 164 and ED 165.
- (e) The proposed IGRAP on *Accounting for Adjustments to Revenue*.
- (f) The proposed amendments to IGRAP 1 *Applying the Probability Test on Initial Recognition of Revenue*.

5.2 It was NOTED that at the close of the comment period on 31 August 2018, the Board received three comment letters. Responses were also received in the form of a questionnaire issued by the Department of Treasury of the Free State Province, to which a number of entities responded. Verbal comment was received from preparers,

auditors and consultants through workshops, roundtable discussions or other meetings.

- 5.3 It was NOTED that the comment received on ED 164 and ED 165, along with the proposed amendments to the Interpretations were discussed at two project group meeting held during October 2018. At these meetings, project group members recommended the proposed IGRAP and the amendments to IGRAP 1 to the Technical Committee for its consideration.

#### *Consultation process*

- 5.4 The Technical Committee NOTED the comparison of the stakeholders against the approved project brief. It was NOTED that where face-to-face consultations could not be undertaken with the stakeholders identified in the project brief, these stakeholders were also invited to other engagements where the proposed Interpretations were discussed.
- 5.5 It was NOTED that a request for input on ED 164 and ED 165 was sent to the Chief Financial Officers of public entities through the Office of the Accountant-General. No feedback was received from this process.
- 5.6 The Secretariat NOTED that it was of the view that key stakeholders were consulted and that sufficient consultation has been undertaken as part of the Board's due process.
- 5.7 Concerns were RAISED by some Technical Committee members on the public entities' participation in the Board's due process. It was NOTED that some of the key public entities that will be impacted by the new guidance provided feedback on the Exposure Drafts. It was NOTED that other public entities are likely to have processes in place to account for adjustments to revenue.
- 5.8 The Technical Committee AGREED that stakeholders were given sufficient opportunity to provide comment on ED 164 and ED 165. Based on this observation, the Technical Committee CONFIRMED the Secretariat's view that sufficient consultation was undertaken.
- 5.9 It was AGREED that the opportunities given to stakeholders to participate in the Board's due process should be highlighted in the memorandum to the Board.

**Secretariat**

#### *Application of the proposed IGRAP to revenue arising from contractual arrangements*

- 5.10 The Secretariat NOTED that the proposed IGRAP was developed to deal with the accounting for adjustments to exchange and non-exchange revenue that is charged in terms of legislation or similar means, following the completion of a review, appeal or objection process. A stakeholder questioned whether the guidance could also be applied to adjustments to revenue arising from contractual arrangements.
- 5.11 It was NOTED that project group members indicated that the principles in the proposed IGRAP can be applied by analogy to the accounting for adjustments to revenue arising from contractual arrangements, particularly if disputes or other adjustments arise and are resolved using similar mechanisms outlined in ED 164.

5.12 The Technical Committee AGREED with the project group's recommendation and CONSIDERED the following regarding the proposed amendments to the IGRAP:

- (a) It was PROPOSED that an example should be included explaining the application of the principles in the proposed IGRAP to adjustments to revenue arising from contractual arrangements where the fact patterns are similar. It was NOTED that, as the principles will be applied by analogy, amendments to the principles in the proposed IGRAP may not be appropriate.
- (b) It was AGREED that the new paragraph that explains the application of the proposed IGRAP by analogy, should include a reference to paragraphs .07 and .08 to explain that the IGRAP is applied if the fact patterns of the transaction are similar.
- (c) The Technical Committee AGREED with the additional commentary to be included in the basis for conclusions to clarify the application of the IGRAP.

**Secretariat**

*Effective date of the proposed pronouncements*

5.13 The Technical Committee NOTED respondents' views on the effective date of the proposed IGRAP and the amendments to IGRAP 1. It was NOTED that project group members recommended an effective date of 1 April 2020 as (a) the principles in the proposed IGRAP are based on the principles in GRAP 3 that has been effective for a number of years; and (b) divergent practice needs to be addressed as a matter of urgency. The Technical Committee AGREED with the project group members' proposal of an effective date of 1 April 2020.

**Secretariat**

*Re-exposure of proposed IGRAP*

5.14 It was NOTED that, in line with the Board's policy on the re-exposure of pronouncements, an analysis was undertaken to evaluate if the re-exposure of the change to include revenue arising from contractual arrangements by analogy is necessary. Based on this assessment, the Secretariat does not believe re-exposure is necessary as no substantial amendments were made to the guidance or principles included in the proposed IGRAP.

5.15 The Technical Committee considered the analysis and AGREED with the recommendation that there is no need for re-exposure.

*Summary of written comment*

5.16 It was NOTED that the SAICA comment letter indicated that the application of IGRAP 1 may be misleading, and that its application impacts the accounting of some entities. It was QUESTIONED whether any further action is required by the Board to address the comment. It was NOTED that the comment was raised by an entity that applies IFRS Standards, and as such, applying the principles in IGRAP 1 by them will be inappropriate. It was AGREED that no further action is required by the Board.

5.17 It was NOTED that, in the comment from the Free State Department of Treasury: Department of Police, Roads and Transport, more clarification was requested in example 2 on how an entity should apply judgement. It was NOTED that this comment

relates to an auditing matter where an entity is required to present information that supports its professional judgement. It was AGREED that the response to the comment, and the additional clarification included in example 2 of the proposed amendments to IGRAP 1, is sufficient and that no further action needs to be taken by the Board.

*Proposed IGRAP and amendments to IGRAP 1*

5.18 It was NOTED that respondents supported the proposed IGRAP and the amendments to IGRAP 1. The project group members recommended both pronouncements to the Technical Committee for its consideration.

5.19 Subject to the matters below, the Technical Committee recommended the proposed IGRAP and the amendments to IGRAP 1 to the Board for its consideration.

Proposed IGRAP on Accounting for Adjustments to Revenue

5.20 The phrase “including refunds” in paragraph .04(a) was DEBATED. It was NOTED that some stakeholders may understand the term “refund” to be a change in the measurement of the receivable or payable, which in terms of paragraph .05(d), is excluded from the scope of this IGRAP. The basis for conclusions explains that refunds are adjustments to revenue following the completion of a review, appeal and objection process as it represents an overstatement of the revenue already recognised.

5.21 It was AGREED that the phrase “including refunds” in paragraph .04(a) should be deleted to avoid any misinterpretations. It was CONFIRMED that the explanation in the basis for conclusions is sufficient.

**Secretariat**

5.22 It was QUESTIONED whether a reference to GRAP 104 should be included in the scope exclusion in paragraph .05(d) following the recommendation to include adjustments to revenue arising from contractual arrangements in the IGRAP. It was AGREED that, as the principles can be applied by analogy, the reference to GRAP 104 may not be appropriate and an explanation should be included in the basis for conclusions where the application of the proposed IGRAP to adjustments to revenue arising from contractual arrangements is explained.

**Secretariat**

5.23 The Technical Committee AGREED that the following amendments should be made:

- Paragraphs .10 and .11 should be swapped around to improve the flow of the proposed IGRAP. The summary of verbal comment should also be updated with the comment.
- The first sentence in paragraph .15 should be deleted as the principle is established in paragraphs .16 and .18. The remaining part of the paragraph should be combined with paragraph .14.
- Paragraph.15A should be deleted as the principle is explained in paragraphs .16 and .18.

- Paragraph .13(a) and .13(b) should be swapped around to be aligned with the flow of the IGRAP, first dealing with the correction of an error or prior period error, and then with changes in accounting estimates.
- Paragraphs .16 and .17 should be amended to specifically refer to paragraph .13(a) and .13(b).
- The effective date paragraph should explain that earlier application of the IGRAP is permitted.
- Example 5 should be amended to explain the omission of information on royalty income, rather than retirement annuity deductions.
- BC9A - the phrase “is likely” should be amended to “would be”.
- BC11 - redraft to better explain that changes in the measurement of receivables and payables, other than those changes arising from applying this IGRAP, should be dealt with in the applicable Standard of GRAP. This explanation should be included under a new sub-heading.
- The phrase “recognised revenue” should be amended to “revenue already recognised” throughout the proposed IGRAP.
- Some minor editorial comment was NOTED.

**Secretariat**

5.24 It was DEBATED whether the recognition of interest and penalties following the completion of a review, appeal or objection process, is within the scope of the proposed IGRAP. It was NOTED that paragraph .04 only deals with the accounting for adjustments to interest and penalties that arise from revenue already recognised. It was AGREED that the basis for conclusions should clarify that the subsequent recognition of interest and penalties, following the completion of the review, appeal or objection process, is excluded from the scope of the proposed IGRAP.

**Secretariat**

#### Proposed amendments to IGRAP 1

5.25 The following amendments were AGREED by the Technical Committee:

- the effective date paragraph should explain that earlier application of the IGRAP is permitted; and
- BC8 should be separated into two paragraphs to clarify what other factors an entity should consider in assessing future economic benefits or service potential.

**Secretariat**

#### ***Draft Transitional Provisions for CET Colleges***

6.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Proposed Directive on *Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges*.

### *Overview of process and the need for transitional provisions*

- 6.2 The Secretariat PROVIDED an overview of the recent developments that have come to light regarding the adoption of Standards of GRAP by CET Colleges. The Secretariat NOTED that the Department of Higher Education and Training (DHET) issued a Gazette in August 2018 indicating that CET Colleges are required to apply Standards of GRAP, and produce financial statements for the relevant periods, retrospectively from 1 April 2015. The first set of audited financial statements needs to be submitted to DHET by 31 March 2019. This only allows a short period of time in which to develop proposed transitional provisions and issue them for public consultation.
- 6.3 The Secretariat OUTLINED a possible timeframe in which a draft Directive could be developed and issued for public consultation. The draft Directive could be issued by the Board at its November 2018 meeting, with a shortened comment period (mid-February), and the final Directive being considered in March 2019. The comment period could be reduced from the usual three month period as the topic is not complex, and there is a specific group of stakeholders affected by the draft Directive.
- 6.4 The Secretariat EXPLAINED that there is a high need for transitional provisions for these entities because of the way they were established, and the relief is needed because of a lack of historical information.
- 6.5 The Technical Committee SUPPORTED the view that there is a need for transitional provisions and that the Board should develop a proposed Directive. It was NOTED that entities are likely to require guidance on the initial accounting and the DHET would not be able to provide this guidance as it is the Board that issues Standards of GRAP. Concerns were however EXPRESSED about the following:
- The short time in which to issue proposals and consult on them.
  - The precedent that may be set issuing specific transitional for specific entities, and in such a short period of time.
- 6.6 The Secretariat NOTED that a precedent was set for issuing specific transitional provisions for specific entities when the Directives for Technical and Vocational Training (TVET) Colleges were issued. Members QUESTIONED how many other entities may be in a similar situation. It was EXPLAINED that where other legislation permits or requires another Minister to determine a reporting framework, there could be other entities adopting Standards of GRAP in future, e.g. universities, schools, and traditional authorities.
- 6.7 Some members INDICATED that the adoption of Standards of GRAP by the CET colleges should be seen as an opportunity to improve financial reporting, as well as reviewing the transitional provisions in place for the adoption of Standards of GRAP.

### *Proposed transitional provisions*

- 6.8 The Secretariat EXPLAINED the transfer of functions from the provincial departments of Basic Education and Training to the National Department of Higher Education and Training, and the merging of the existing entities to be acquired by the CET colleges in each province. It was NOTED that based on the legislative requirements, the Secretariat was of the view that GRAP 106 on *Transfer of Functions Not Under Common Control* would need to be applied as the transaction is between the

respective provincial governments and national government. The Secretariat also EXPLAINED that the transfer of functions, and acquisition of the existing entities by the CET college in each province, was seen as one transaction for accounting purposes. The application of GRAP 106 means that the CET colleges would apply fair value in determining assets acquired and liabilities assumed in the transfer of function at acquisition date.

- 6.9 The Technical Committee AGREED with the proposed accounting. They QUESTIONED whether there is a need to provide guidance on the change from the Modified Cash Standard (MCS) to Standards of GRAP. As the colleges are starting as new entities, there is no need for this guidance. The potential lack of accrual-based data should however be considered when deciding what relief to provide both on the initial adoption of GRAP and for transactions that occurred after 1 April 2015.
- 6.10 The Secretariat NOTED that GRAP 106 allows entities two years within which to finalise the accounting for the transfer of function. Based on feedback from the team assisting the CET colleges with the adoption of the Standards, it was suggested that time be allowed until 31 December 2021 to finalise the accounting for assets acquired and liabilities assumed on acquisition date. Although this seems like a lengthy period of time, the consultants were only contracted in 2018 to assist with this process, and another three years is needed to identify assets, bank accounts and deal with other issues.
- 6.11 The Technical Committee QUESTIONED the usefulness of the information that would be produced in the financial statements if entities have until 31 December 2021 to produce the information for the balances acquired at acquisition. The Secretariat NOTED that the financial statements could have little relevance to users given the lack of information, as well as the inability of entities to improve the financial statements produced over the next year given the tight deadlines.
- 6.12 The Technical Committee QUESTIONED if it would be possible to provide more holistic relief to entities rather than just the balances at acquisition. The Secretariat NOTED that the Gazette requires financial statements to be produced from 1 April 2015, and that Standards of GRAP should be used in the preparation of the financial statements. It would be inappropriate for the Board to provide relief that contradicts the requirements of the Gazette.
- 6.13 Given the concerns expressed about the usefulness of the financial statements generated through the historical application of Standards of GRAP, the Technical Committee SUGGESTED asking the Minister of Finance to communicate the concerns to the Minister of Higher Education and Training indicating that the requirements in the Gazette should be reconsidered. The potential cost and assurance implications should also be highlighted. The consultation between the Ministers should be facilitated by the National Treasury.

#### **Secretariat/National Treasury**

##### *Proposed Directive on Transitional Provisions for CET Colleges*

- 6.14 The Technical Committee AGREED that the term “opening balances” should be amended to “balances at acquisition”. It was also AGREED that the references to the Gazettes should include the dates they were issued.

## Secretariat

- 6.15 The Technical Committee QUESTIONED whether the latest versions of the Standards of GRAP would be applied in preparing the financial statements for prior periods. The Secretariat NOTED that a FAQ was issued a few years ago to deal with this issue. The latest version of the Standards should be applied.
- 6.16 The Technical Committee AGREED with the proposed Directive as drafted, and RECOMMENDED it to the Board for issue as an Exposure Draft. The Ministerial engagement and the consultation on the Directive could happen concurrently.

### ***Results of the Review of Amendments to GRAP 16 Investment Property and GRAP 17 Property, Plant and Equipment***

- 7.1 The Secretariat TABLED the following at the meeting:
- (a) Memorandum from the Secretariat.
  - (b) Minutes of the project group meetings held on 15 and 16 October 2018.
  - (c) Summary of written comment received on the questionnaire.
  - (d) Summary of verbal comment received.
  - (e) The approved project brief (for information purposes only).
- 7.2 The Secretariat NOTED the background and the approach to the project:
- The project entailed a desktop review of the financial statements of a representative sample of entities. This was followed up with direct consultations with stakeholders identified in the approved project brief, and the distribution of a questionnaire to stakeholders.
  - The national public entities and some of the municipalities in four provinces were consulted directly with the help of CIGFARO and SALGA. It was added that a request was sent to the PAGs to assist with engagements with the provincial entities however this was not successful.
- 7.3 The Secretariat NOTED that based on the consultations undertaken, it was of the view that the consultations were sufficient to allow the Technical Committee and Board to make decisions about the project.
- 7.4 The Technical Committee AGREED that sufficient consultations were undertaken.

### ***Distinction between investment property and property, plant and equipment (PP&E)***

- 7.5 The Technical Committee NOTED the requests for additional guidance.
- 7.6 It was AGREED that (a) the classification of cemeteries can be addressed in the existing FAQs dealing with heritage assets, and (b) no additional guidance is needed for the classification of airports and stadiums, and the distinction between inventory and investment property.
- 7.7 Some members QUESTIONED how pervasive the issue on transfers to or from investment properties is. The Secretariat EXPLAINED that the issue was raised by a representative from the OAG that deals with implementation issues from various entities and that it believes the issue does not just affect one entity.

- 7.8 The Technical Committee AGREED that the uncertainty about when to account for the change in use and transfer can be addressed by the IASB's amendments to IAS 40 in the improvements project. The Technical Committee DISAGREED with the proposal to develop a FAQ. Any FAQ would be based on the current guidance in GRAP and not incorporate any of the new principles that the IASB considered in its amendments.

*Assessing useful lives and residual values*

- 7.9 The Technical Committee NOTED the issues identified by the project group that may have contributed to the increase occurrence of fully depreciated assets. Uncertainty about the accounting of material fully depreciated assets indicates that preparers are not aware of the existing FAQ or have forgotten about it.
- 7.10 It was SUGGESTED that, instead of only raising awareness about the FAQ, the Secretariat should consider other platforms to communicate the accounting treatments of fully depreciated assets – for example articles and ASB newsletters.
- 7.11 It was AGREED that the Secretariat should review the FAQ to determine whether the issues raised could be addressed by amending the FAQ rather than amending the indicators in the Standard.

**Secretariat**

- 7.12 It was NOTED that ARD also shares the FAQs with their auditors, but that it is important to use other platforms.
- 7.13 It was NOTED that there is an additional challenge that, while the accountants may know how to deal with fully depreciated assets, the assessment of useful lives includes other practitioners such as engineers that do not understand the accounting implications.

*Use of external valuers*

- 7.14 The Technical Committee NOTED the issue raised by participants that the auditors may not want to place any reliance on valuations undertaken by internal experts. In practice, the challenge with valuations is that preparers cannot explain the processes and judgements applied on which valuations are determined. The valuations are also determined using the valuation standards and not the accounting standards.
- 7.15 It was NOTED that the Standards of GRAP cannot address the processes around valuations.
- 7.16 The Technical Committee AGREED with the recommendation that an engagement is necessary with the auditors to assess what actions can be taken to address concerns raised by preparers about the level of reliance that will be placed on valuations by internal experts. The engagement should not only be limited to the AGSA, but that the views of other auditors involved in s4(3) audits is also important. The Secretariat can make use of the IRBA's Public Sector Standing Committee to seek the views of auditors.

**Secretariat**

- 7.17 It was NOTED that preparers also raised concerns that they require guidance on assessing whether an internal expert has the requisite competence as per the

Standards. The Secretariat would engage with the National Treasury to assess what action can be taken (if any) as such guidance cannot be provided in the Standards.

- 7.18 It was NOTED that the National Treasury is developing a framework for reporting infrastructure assets and that the Secretariat should check whether the guidance would be suitable for that framework.

**Secretariat**

*Encouraged disclosures*

- 7.19 The Technical Committee NOTED the prevalence of fully depreciated assets and concurred with the Secretariat's earlier analysis that the existence of fully depreciated assets is a practice issue.

- 7.20 The Technical Committee DEBATED the recommendation by representatives of the National Treasury that the Board should reinstate a requirement to disclose fully depreciated assets to enhance accountability over these types of assets. The Technical Committee DISAGREED with the recommendation on the following grounds:

- Reinstating such disclosures contradicts the principle that the existence of material fully depreciated assets is non-compliance with the Standards. Furthermore, the disclosure of immaterial fully depreciated assets would also be inconsistent with the principles in the Standards as immaterial items should not be included in the financial statements.
- The information can be provided outside the financial statements. This can be considered for inclusion in the National Treasury's framework for reporting on infrastructure assets.
- The occurrence of fully depreciated assets is a behavioural issue.

- 7.21 The Technical Committee NOTED that generally the findings of the project seem to point to a lack of understanding of the requirements in the Standards, practice issues or audit issues rather than issues with the Standards themselves.

- 7.22 For this reason, it was AGREED that while awareness may be raised at various platforms about the existing FAQ on accounting for fully depreciated assets, the actions that emanate from this project should be more tangible to ensure that the behaviour of preparers changes so that the same issues do not re-occur.

- 7.23 It was AGREED that similar to other Research Papers developed, there should be an active plan to share the results with key stakeholders as a way to proactively manage future audit outcomes. A stakeholder plan, identifying which key stakeholders should be consulted, should accompany the Research Paper when it is considered by the Board.

**Secretariat**

*Disclosure of capital WIP*

- 7.24 The Technical Committee NOTED that the issues raised by participants on the FAQs can be resolved by clarifying in the FAQ that the % model used in the FAQ is not the only way to determine what significantly longer is.

7.25 It was AGREED that the Board's decision not to standardise the disclosures is still relevant and that practice should be allowed to develop before any amendments are made to the disclosure requirements.

**Secretariat**

*Disclosure of repairs and maintenance*

7.26 The Technical Committee NOTED the issues identified in the review, and AGREED that there is a clear misunderstanding of the requirements of the Standard. There is a need to clarify that paragraph .89 does not specify how repairs and maintenance should be measured.

**Secretariat**

7.27 It was NOTED that the National Treasury is developing illustrative financial statements that will require entities to disclose repairs and maintenance per class of asset and indicate whether the expenditure was of a preventative nature or not. It was added that the illustrative annual financial statements will be published for comment.

*Next steps*

7.28 It was AGREED that a Research Paper should be developed. When the Board considers the timeline for the development of the Research Paper, the Secretariat should present the stakeholder plan identifying which stakeholders will be consulted to share the results of the review.

**Secretariat**

7.29 It was AGREED that only the analysis of verbal comment would be published on the ASB website once the project has been finalised, and that the written responses are confidential and will not be published.

**Secretariat**

***Update on the development of a proposed Directive on The Use of Standards of GRAP by Public Sector Entities that Apply IFRS Standards***

8.1 The Secretariat TABLED a memorandum that provided feedback to the Technical Committee on the process to engage the Financial Reporting Standards Council (FRSC).

8.2 It was NOTED that, on recommendation from the Chairman of the Financial Reporting Standards Council (FRSC), the Secretariat engaged with the Financial Reporting Technical Committee (FRTC) at its meeting in October 2018. The following was discussed at this meeting:

- (a) It was NOTED that the FRTC will discuss the draft Directive at its November 2018 meeting. A high level comparison between the GRAP Conceptual Framework and the IFRS Conceptual Framework will be presented at the meeting to assist in the debate on whether a conflict exists between the two conceptual frameworks.
- (b) Even though the Board develops guidance for public entities that apply IFRS Standards, other entities applying IFRS Standards may want to consider the guidance issued by the Board in applying IAS 8. The Board cannot prohibit these entities from considering this guidance.

- 8.3 The Technical Committee DEBATED these observations. It was AGREED that the Board should consider how to progress the project if the FRTC and/or the FRSC do not publicly support the guidance.

## **Secretariat**

### **EMERGING ISSUES**

- 9.1 The Secretariat TABLED a memorandum at the meeting outlining progress on emerging issues reported at the last meeting, as well as a new issue that was identified.

#### *Previously reported matters*

- 9.2 The Secretariat NOTED that it was monitoring progress on previously reported issues. Some of the Technical Committee members INDICATED that they could provide further information on the accounting for heritage assets, principals and agents, and the reporting framework for traditional authorities.
- 9.3 The representative from the AGSA INDICATED that out of the 13 museums that report to the Department of Arts and Culture, only 2 were qualified in the last PFMA cycle. The qualification related to the lack of historical information for a number of items.
- 9.4 The representative from the National Treasury INDICATED the following regarding the reporting framework for traditional authorities:
- A proposed framework was discussed at the PAG Forum in August 2018. The proposal was to use the draft reporting framework for school governing bodies.
  - Traditional authorities could apply the reporting framework developed by the National Treasury, or decide to use Standards of GRAP or IFRS Standards.
  - It is intended that the reporting framework is discussed again at the February 2019 PAG Forum, and it being finalised by March 2019.
- 9.5 A member QUESTIONED if the reporting framework is accrual based. The representative of the National Treasury INDICATED that the reporting framework is accrual based.
- 9.6 A member ASKED if the intention is for traditional authorities to first apply the reporting framework and then migrate to another set of Standards. It was CONFIRMED that this is not the intention as Standards of GRAP or IFRS Standards may not be relevant for many traditional authorities. These authorities are not funded through government support, nor are there “general purpose” users for the financial statements produced by applying Standards of GRAP or IFRS Standards.
- 9.7 It was AGREED that the National Treasury would share the proposed reporting framework with the Secretariat.

## **National Treasury**

- 9.8 The representative of the National Treasury INDICATED that they would be meeting to discuss the potential court case between the Western Cape Department of Agriculture and the AGSA. Based on the facts currently available, the Department is challenging the AGSA’s audit opinion on the identification of principals and agents using the MCS.

It was AGREED that the National Treasury would share any information if this was publicly available.

## **National Treasury**

### *New matters*

- 9.9 The Secretariat NOTED that, at the last Board meeting, it provided brief feedback about a potential accounting issue raised by stakeholders during the consultation on GRAP 104 *Financial Instruments*.
- 9.10 The Secretariat NOTED that the issue related to non-recourse loans made by development finance agencies to prospective entrepreneurs to acquire businesses such as franchises, petrol stations, and retail operations. If the loans are not repaid, the agency takes over the running of the businesses to recoup the money lent. At this point the agency controls the business and it should be consolidated in terms of GRAP 6 *Consolidated and Separate Financial Statements*. The agency raised concerns about the line-by-line consolidation of entities with dissimilar activities and the effect on the users' understanding of the financial statements. The agency requested that the requirements in GRAP 100 on non-current assets held for sale be re-instated as this would negate the need for consolidation.
- 9.11 The Secretariat INDICATED that it was aware of other issues raised by entities in the labour cluster about the consolidation of entities with dissimilar activities. The circumstances however related to "social investments" where controlling interests were acquired in entities to promote employment.
- 9.12 The Secretariat NOTED that it is not aware of the pervasiveness of the need to reinstate the requirements of GRAP 100 for non-current assets held for sale. The Secretariat SUGGESTED consulting on this issue as part of the work programme consultation for 2021 to 2023.
- 9.13 The Technical Committee SUPPORTED the Secretariat's proposal.

## **ADMINISTRATION**

### *Work programme*

- 10.1 The Secretariat TABLED the updated work programme and the report on the achievement of the quarterly targets.
- 10.2 The Secretariat NOTED that the work programme was updated after the decisions at the last meeting, as well as the following:
- The timeline for issuing the proposed Directive for entities that apply IFRS Standards was modified, so that the Exposure Draft is considered by the Board in March 2019 and finalised in December 2019.
  - The Research Paper on the reporting of information to the public would be presented to the Board at the second meeting of 2019.
- 10.3 It was NOTED that the process to appoint the FRSC members may take longer than initially anticipated and that the time frame for the Directive may need to be revised.

**Secretariat**

10.4 It was AGREED that the development and consultation on the Research Paper related to the review of the amendments to GRAP 16 and GRAP 17 should be added to the work programme.

**Secretariat**

10.5 The Secretariat NOTED that the work programme would also need to be updated based on the decisions regarding the transitional provisions for CET colleges.

**Secretariat**

*Performance to date*

10.6 The Secretariat NOTED that all the performance targets would be met with the exception of issuing the amendments to GRAP 104. The Board decided when issuing the Exposure Draft on GRAP 104 to allow a longer consultation period given the complexity of the topic.

10.7 The Secretariat NOTED the following additions to the report:

- If the proposed Directive for the CET colleges is issued, this would be an additional achievement that would need to be reported.
- The FAQ on the Conceptual Framework was discussed at the November Accounting Forum.
- An additional article was written to SALGA on the implications of the newly effective Standards.

**INTERNATIONAL STANDARD SETTING ACTIVITIES**

11.1 The Secretariat TABLED the comment letter to the IPSASB on its amendments to IPSAS 36 on *Investments in Associates and Joint Ventures* and IPSAS 41 on *Financial Instruments*.

11.2 The Secretariat NOTED that there were no concerns raised about the amendments and the amendments were supported.

**CLOSING REMARKS**

12.1 The meeting dates for 2019 were NOTED. Members were THANKED for their participation and the meeting was ADJOURNED at 13:15.

12.2 Members were ASKED to follow the ASB's Facebook page as part of the new social media strategy.

**Prepared by:** J Poggiolini 19 November 2018

**Reviewed by:** L Bodewig

**Issued:**

**Signed:** \_\_\_\_\_