240 Madiba Street
Pretoria
0002
Tel. 011 697 0660
Fax. 011 697 0666
www.asb.co.za

Attachment 5(b)

MINUTES OF THE PROJECT GROUP MEETING OF THE ACCOUNTING STANDARDS BOARD ON AMENDMENTS TO GRAP 1 ON *PRESENTATION OF FINANCIAL STATEMENTS* HELD ON 11 OCTOBER 2022

Present:	M Mentz	AGSA
	R Small	SAIPA
	B van der Merwe	Nexia SAB&T

Secretariat:

	A Botha	Project Manager
	J Poggiolini	CEO
	N Imam-Shah	Project Manager
	E van der Westhuizen	Project Manager

1. WELCOME AND APOLOGIES

Members were WELCOMED to the project group meeting. No apologies were NOTED.

2. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 7 February 2022 were NOTED and ACCEPTED.

3. TECHNICAL MATTERS

ED 198 Proposed amendments to the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1)

3.1 The following were TABLED at the meeting:

- Memorandum from the Secretariat.
- Summaries of written and verbal comment received on ED 198.
- Proposed amendments to GRAP 1 on *Presentation of Financial Statements* incorporating the comment received.
- A Fact Sheet on *GRAP 1 Presentation of Financial Statements – Fact Sheet #1 Assessing Going Concern*.

Consultation process

3.2 It was NOTED that a notice outlining a request to comment on the proposed amendments to GRAP 1 was published in the Government Gazette. The Secretariat engaged with stakeholders during various sessions to discuss the proposals in ED 198. Articles on the proposed amendments were also published on ~~using~~ various ASB social media platforms.

3.3 In addition to three engagements held with stakeholders, the Board received a comment letter from SAICA. The Office of the Provincial Accountant-General: Free State Treasury also issued a questionnaire to which a number of the entities in the Free State responded.

3.4 It was NOTED that the Secretariat is of the view that sufficient awareness of ED 198 was raised, and that the stakeholders, as identified in the project brief, were given sufficient opportunity to participate in the comment process.

Amendments to the Exposure Draft

3.5 It was NOTED that stakeholders were supportive of the amendments proposed in ED 198.

Explanatory guidance on assessing going concern in the public sector

Appropriateness of going concern in a transfer of functions where all the functions are transferred:

3.6 It was NOTED that some respondents were of the view that when the functions of an entity are transferred in its entirety to another entity, the entity ceases to exist and it can no longer render services in its capacity. These respondents NOTED that in these circumstances, it may be inappropriate for an entity to use the going concern basis to prepare its financial statements. A similar observation was made when an entity is involved in a merger, i.e., because all the functions of an entity are combined with that of others, the entity will no longer operate.

3.7 The Secretariat INDICATED that the basis for conclusions to GRAP 1 explains that a liquidation or cessation of an entity's operations will result in the termination of all the functions provided by that entity. However, only in the case of dissolution, without any continuation of the entity's operations, will the going concern basis cease to apply.

3.8 Based on this explanation, the Secretariat INDICATED that, even though the transfer of functions may involve a transfer of all the entity's functions, the services previously provided by the entity will not be impacted. The functions and services will continue to be provided, even though they are executed by another entity. This also applies in a merger where the functions will continue to be provided by the combined entity after a merger.

3.9 It was NOTED that the Secretariat is of the view that preparing the financial statements on a going concern basis will remain appropriate for both a merger and a transfer, where all or some of an entity's functions, are transferred.

3.10 Project group members AGREED with the view that when some of the functions provided by an entity will continue to be provided by another entity, the transferor should continue to prepare its financial statements on a going concern basis.

3.11 It was QUESTIONED if the guidance in GRAP 1 is adequate for an entity to understand what basis of preparation it should consider when preparing its financial statements when some functions are transferred, while the remaining functions are discontinued.

3.12 After some debate, it was AGREED that:

- where some functions are transferred and the remaining functions are discontinued, the two transactions should be considered separately from the perspective of the entity transferring/discontinuing the functions. The basis for conclusions should clarify that an assessment should be made in each instance based on the functions to be transferred, those that may be discontinued (if any), and those that may be retained (if any) by the transferor;
- paragraph .28A should be clarified to explain that (a) some <u>or all</u> of an entity's functions may be transferred to another entity; and (b) the operational existence of all, or part of the entity may cease <u>or continue</u> in another entity; and
- an example should be included in the Fact Sheet to explain the scenario where some functions are transferred, and the remaining functions of the transferor are ceased.

Secretariat

<u>Reference to GRAP 100 on *Discontinued Operations:*</u>

3.13 It was NOTED that a reference has been included in paragraph .28C as a reminder that the presentation and disclosure requirements in GRAP 100 should be applied to a discontinued operation.

3.14 Project group members AGREED with the amendment.

Secretariat

Additional disclosures on assessing going concern

<u>Separate the disclosure of significant judgements and assumptions applied by management from the disclosures relating to uncertainty</u>

3.15 It was NOTED that the new proposed disclosures in paragraph .134A were separated. Paragraph .134A now requires the disclosure of significant judgements and assumptions applied by management in assessing going concern, while paragraph .134B requires disclosure where one or more uncertainty exists.

3.16 Project group members AGREED with the separation of the disclosures in paragraphs .134A and .134B.

Secretariat

Proposed amendments to GRAP 14 on *Events After the Reporting Date*

3.17 It was AGREED that paragraph .14 should be amended as follows:

"….However, this liquidation <u>may have</u> ~~has~~ an impact upon the assessment of going concern for the government itself."

3.18 Subject to the amendments AGREED, the project group RECOMMENDED the proposed changes to GRAP 1 and GRAP 14 to the Technical Committee for its consideration.

Secretariat

Summaries of written and verbal comment

3.19 No comment in the summaries were NOTED.

Fact Sheet #1 Assessing Going Concern

3.20 No additional amendments to Fact Sheet #1 were NOTED.

3.21 It was NOTED that if any further practical matters on the going assessment are identified, the Fact Sheet can be amended to accommodate additional guidance.

NEXT STEPS

3.22 It was NOTED that the next steps of the project are for the Technical Committee and Board to consider the comment and proposed amendments at their November 2022 meetings. If the Board approves the final amendments, a recommendation will be made to the Minister of Finance to determine the effective date for the revisions to GRAP 1.

CLOSING REMARKS

3.23 Some project group members EXPRESSED their support for the Board undertaking this project. It was NOTED that although the additional guidance and disclosures do not necessarily change management's assessment of an entity's ability to continue as a going concern, they will improve the information that is provided to users on factors considered by management in assessing going concern. Better information on the ability of an entity to continue as a going concern will be available to improve accountability and inform decision-making.

3.24 Stakeholders were THANKED for their participation and input during the engagement.

Prepared by:	**A Botha**	**18 October 2022**
Reviewed by:	**J Poggiolini**	**19 October 2022**