

## In this edition of the newsletter:

- When is management a related party?
- Events
- Coming up
- Highlights of the March 2020 IPSASB meeting
- What the ASB Board issued in March 2020



## When is management a related party?

GRAP 20 on *Related Party Disclosures* became effective from 1 April 2019. Entities will therefore need to consider GRAP 20 in preparing their financial statements for the upcoming financial year ends.

As national, provincial and local government work together to achieve the same objectives, it is common that there are significant relationships between, and transactions among, entities. It is important for users of the financial statements to understand the effect – if any – of these relationships and transactions on an entity’s financial performance and financial position.

Related parties can be people or entities. Related party transactions can be the transfer cash, goods, and services - regardless of whether a price is charged - or amounts owing between the related party and the reporting entity.

People or entities are related parties when they control or jointly control an entity, or because they exercise significant influence over an entity. A person that is a member of the “management” of an entity is considered a related party of that entity based on their roles and responsibilities.

## Who is management?

For a member of management to be considered a related party to the entity, the person must be “responsible for planning, directing and controlling the activities of the entity”. Management can include:

- Members of the governing body of the entity, e.g. members of the Board, or Council members.
- Key advisors of a member of the governing body or its sub-committees, where the advisor has the responsibility for planning, directing and controlling the activities of the entity.
- Members of senior management, which may include the chief executive officer or head of the entity (if not part of the governing body).

Management is not merely anyone with the title “manager” or “director” or similar in their job title. As entities in the public sector are structured differently, judgement needs to be applied to assess who is responsible for planning, directing and controlling the activities of an entity.

In the public sector, an employee may often be asked to “act” in another employee’s role. The role could be more senior or may be at the same level but have different responsibilities. The person “acting” in the position may be considered a member of management for the period in which they fulfil this role. Judgement needs to be applied to understand if the acting staff member has been given the responsibility to plan, direct and control the activities of the entity. The specific delegation of authority granted to the staff member should be reviewed to understand the specific powers conferred on them.

### **What should an entity disclose about management?**

Entities are required to disclose the remuneration of management.

#### *What is remuneration?*

Remuneration includes the benefits in return for services provided to the entity in their capacity as members of management (e.g. as members of the governing body), or as employees. The following categories of remuneration should be disclosed:

- Fees for services as a member of management (e.g. board and other fees).
- Salary.
- Bonuses and performance related payments.
- Other short-term employee benefits.
- Post-employment benefits such as pensions, post-employment medical care, etc.
- Termination benefits.
- Other long-term benefits.
- Commission, gain or surplus sharing arrangements.
- Any other benefits received.

Remuneration excludes the reimbursement of expenditure incurred by a member of management for the benefit of the entity, for example, the refunding of hotel costs while away on work-related travel.

Apart from the remuneration of management, an entity should also consider whether there are any other transactions or outstanding balances between members of management and the entity that should be disclosed.

#### *At what level must remuneration be disclosed?*

Entities must disclose the:

- Remuneration paid to each member of management.
- Aggregate amount of remuneration paid to each class of management. Classes of management could include, as examples, the governing body and senior management.

#### *Does materiality apply?*

An entity should apply materiality when applying the disclosure requirements in GRAP 20. An entity should consider materiality in deciding:

- What to disclose, as materiality means that the disclosure requirements of a Standard of GRAP need not be applied if they are immaterial.
- At what level to disclose information as items of a similar nature, could be disclosed in aggregate except if separate disclosure is needed to provide relevant and reliable information to users.

### Other FAQs on GRAP 20?

The Secretariat of the ASB has issued FAQs on the application of GRAP 20, which can be accessed by following this link: <http://www.asb.co.za/frequently-asked-questions/>

## Events

### Participate in the review of GRAP 103 on *Heritage Assets*

The Board is undertaking a post-implementation review of GRAP 103. The purpose of the review is to receive feedback from preparers, users and auditors of financial statements about the implementation of the Standard. We will be hosting roundtable discussions where you can raise your views with the Board. The details are as follows:

Date	Region	Event	Stakeholder group
2 April	Gauteng	Hosted by SAICA	Public entities
15 April	Gauteng	Hosted by CIGFARO/SALGA	Local government
21 April	Gauteng	Hosted by ASB	Non-delegated municipalities
5 May	Gauteng	Hosted by the ASB	Firms, technical specialists
11 May	KwaZulu Natal	Hosted by CGFARO/SALGA	Local government
25 May	Gauteng	Hosted by the ASB	Firms, technical specialists
9 June	KwaZulu Natal	Hosted by SAICA	Public entities
7 July	Gauteng	Hosted by the ASB	Preparers

#### *How else can you get involved?*

Views can also be submitted through the questionnaires on the ASB's website.

The deadline for comment is 15 September 2020.

#### *Contact details?*

If you are interested in attending an event, or have any questions about the project, please email [amandab@asb.co.za](mailto:amandab@asb.co.za) or call on 011 697 0660.

Read more about ED 180 on *Post-implementation Review of the Standard of GRAP on Heritage Assets* and access the questionnaires: <http://www.asb.co.za/ed-180/>

## GRAP Updates

There are a number of new Standards that will need to be applied by entities for their 31 March or 30 June 2020 year ends. The ASB will present a high-level overview of these Standards and their applicability to local government on the dates below. To register, send an email to the relevant address(es) listed.

Date	Province	To register, contact
March 2020		
12 March	Port Elizabeth – hosted by CIGFARO	<a href="mailto:makhongelam@gmail.com">makhongelam@gmail.com</a> or <a href="mailto:branch@cigfaro.co.za">branch@cigfaro.co.za</a>
13 March	Mpumalanga – hosted by CIGFARO	<a href="mailto:lengwatetm@nkangaladm.gov.za">lengwatetm@nkangaladm.gov.za</a> or <a href="mailto:branch@cigfaro.co.za">branch@cigfaro.co.za</a>
26 March	Gauteng – hosted by CIGFARO	<a href="mailto:asmas@joburg.org.za">asmas@joburg.org.za</a> or <a href="mailto:branch@cigfaro.co.za">branch@cigfaro.co.za</a>

## ASB meeting dates

The dates of the ASB's Board and Technical Committee meetings are as follows:

Technical Committee	Board
	19 March
11 June	8 July
3 September	30 September
12 November	1 December

Observers are welcome to attend these meetings, but it should be noted that space is limited. In order to accommodate observers at meetings, interested parties are asked to complete the registration form available on the website.

## Coming up

The Board will consider the following technical documents at its meeting on 19 March 2020:

- Review of comments received on ED 176 on *Improvements to Standards of GRAP (2020)* and final amendments.
- Review of comments received on ED 177 on *Proposed Transitional Provisions for the Standard of GRAP on Financial Instruments (Revised in 2019)* and final amendments.

If approved by the Board, these amendments and transitional provisions will be issued by the Board as final pronouncements.

## Highlights of the March 2020 IPSASB meeting

The International Public Sector Accounting Standards Board (IPSASB) met in March 2020. One of the key decisions at the meeting was the future of the project on leases.

The IPSASB issued ED 64 on *Leases* in 2018. The issue of ED 64 was driven by the need to align existing IPSAS with IFRS 16 on *Leases*. IFRS 16:

- Introduces a “right-of-use model” for lessees. This means that lessees should recognise their right to use an asset for the lease period along with a corresponding liability to make payments to the lessor.
- Retains the operating and finance lease distinction for lessors.

The IPSASB decided to introduce the “right-of-use model” for both lessees and lessors in ED 64. From a lessor perspective, this meant continuing to recognise the underlying (leased) asset; and recognising a receivable for the right to receive cash over the period and a corresponding liability to make the asset available over the lease period.

Respondents to ED 64 had mixed views about introducing the right-of-use model for lessors. Key concerns expressed related to (a) the rationale for departing from IFRS 16, i.e. whether leases are different in the public sector and questioning why the IFRS 16 approach to lessors would be inappropriate, and (b) retaining the underlying asset, without any modification to its recognition or measurement, and recognising a receivable results in double-counting of assets. Where respondents supported the right-of-use model for lessors, concerns were raised about various aspects of the accounting.

Given the diversity of views expressed, the IPSASB identified criteria to assess how the project should be progressed. These criteria considered:

- The benefits to public financial management.
- Implementation costs and challenges.
- Alignment with Government Financial Statistics (GFS).
- The IPSASB’s Conceptual Framework, including whether the information needs of users are met.
- Alignment with IFRS.
- The feasibility of options available to complete the leases project.

Based on these factors, the IPSASB decided to revert to full alignment with IFRS 16, i.e. the right-of-use model for lessees and the operating-financing lease model for lessors. Given the change in approach, the IPSASB will issue an Exposure Draft aligned to IFRS 16 for comment. The Exposure Draft is likely to be issued in the second half of the year.

A key component of the leases project and the proposals in ED 64 was the treatment of concessionary leases. The IPSASB has decided that it will deal with these leases in a separate project.

Highlights of the meeting will be available shortly on [www.ipsasb.org](http://www.ipsasb.org).

## What the ASB Board issued in March 2020

The Board met on the 19<sup>th</sup> of March 2020. The Board approved the following documents as final pronouncements:

- *Improvements to the Standards of GRAP (2020)*.
- Transitional provisions for the Standard of GRAP on *Financial Instruments (Revised in 2019)*.

The finalisation of these documents was preceded by a public consultation process which resulted in the Board making amendments to the pronouncements based on comment received from stakeholders.

The final documents, along with the meeting highlights, will be available on the ASB's website shortly



---

### Contact us

Address: International Business Gateway, Midridge office Estate, Midrand, Johannesburg  
Telephone : 011 697 0660  
E-mail : [info@asb.co.za](mailto:info@asb.co.za)

Copyright © 2019  
Accounting Standards Board

---

### Disclaimer

*The Newsletter has been prepared by the Secretariat of the ASB for information purposes only. It has not been reviewed, approved or otherwise acted on by the Board.*

---