



Attachment 3(b)

PROJECT BRIEF FOR APPROVAL				
Name of project	Review of GRAP 25 on <i>Employee Benefits</i>			
Project timeframe	Commencement Quarter 1 2020 Completion Quarter 1 2021			
Project manager	E van der Westhuizen			
Complexity of project	The project is not complex as it is a convergence project with the IPSASB's Standard on <i>Employee Benefits</i> (IPSAS 39). A comparison is required between the Standard of GRAP on <i>Employee Benefits</i> (GRAP 25) and IPSAS 39 to identify differences. Consultations with stakeholders will be necessary to test whether aligning GRAP 25 to IPSAS 39 for these differences will be appropriate for the local environment. The project will also consider other issues raised by stakeholders on GRAP 25.			
Rating	Urgency	High	Medium	Low
	Impact	High	Medium	Low
	Resources required	High	Medium	Low
PROJECT OVERVIEW				
Area of consideration	Comment			
<i>Project outcome</i>				
Project objective	<p>The purpose of the project is to review the requirements of GRAP 25 following amendments made to IPSAS 25 by the IPSASB. The IPSASB amended IPSAS 25 to align it to the requirements of the International Accounting Standard on <i>Employee Benefits</i> (IAS 19), which the IASB amended in 2011. As an outcome of the IPSASB project, IPSAS 39 was issued in 2016 to replace IPSAS 25.</p> <p>The project will also consider issues raised by stakeholders on GRAP 25, as well as the possible impact of <i>Improvements to IPSAS, 2018</i>, which the IPSASB has recently issued for comment, and any amendments to IAS 19 or IFRS Interpretations issued by the IASB and IFRS Interpretations Committee respectively that may have been issued after IPSAS 39 was issued.</p> <p>A draft revised version of GRAP 25, or equivalent, will be presented to the Technical Committee and Board for approval as an Exposure Draft. After considering comments received from the public consultation process, the final revised version of GRAP 25, or equivalent, will be presented to the Technical Committee and Board for approval.</p>			



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<p>Key issues that need to be addressed as part of this project</p>	<p><i>Scope of project</i></p> <p>The project will provide guidance on accounting for employee benefits to all entities that apply Standards of GRAP.</p>
	<p><i>Nature of output to be developed</i></p> <p>The project will result in a revised version of GRAP 25, or equivalent, being issued by the Board. The project may require consequential amendments to other Standards of GRAP.</p>
	<p><i>Previous deliberations by the Board on Employee Benefits</i></p> <p>In developing GRAP 25, the Board decided to depart from certain requirements of IPSAS 25, which was developed by the IPSASB based on the previous version of IAS 19. The Board's decision to depart from IPSAS 25 was based on more recent international thinking published by the IASB in revising IAS 19 in 2011, and from discussing the local environment with stakeholders. For example, the Board agreed to depart from the requirements of IPSAS 25 in the following areas:</p> <ul style="list-style-type: none"> - The method of recognising actuarial gains and losses. - The presentation of actuarial gains and losses. - The recognition of past service costs. - The presentation of re-measurements of net defined benefit liabilities and assets. <p>The Board further included guidance from the IFRIC Interpretation on <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> (IFRIC 14) in GRAP 25, which was not considered by the IPSASB in developing IPSAS 25.</p> <p>The Board agreed to consider the appropriateness of amendments made to IPSAS 39 for the local environment, based on the Board's consultation with stakeholders on its work programme.</p>
	<p><i>Guidance developed by the Secretariat in response to issues raised by stakeholders</i></p> <p>A frequently asked question was issued on "<i>How should vacation leave be accounted for?</i>".</p> <p>The Secretariat has informally responded to queries raised by stakeholders on accounting for employee benefits, including:</p> <ul style="list-style-type: none"> - The classification of components of employee benefit expenses, such as interest cost, actuarial gains and losses, workmen's compensation, and skills development levy. - Post-retirement benefits in the absence of a policy or plan. - Classification of plan as defined benefit or defined contribution plan.



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Key issues to be considered

The project will review the requirements of GRAP 25 following amendments made to IPSAS 25 (issued as IPSAS 39) by the IPSASB. The following would need to be considered for appropriateness in the local public sector environment:

- Differences that may remain between GRAP 25 and IPSAS 39. Differences that existed between GRAP 25 and IPSAS 25 have mostly been eliminated when IPSAS 39 was issued. Comments received locally during consulting on the IPSAS 39 Exposure Draft will be considered.
- Differences that exist between IPSAS 39 and IAS 19, e.g. discount rates for post-employment obligations, and the presentation of re-measurements of net defined benefit liabilities and assets.
- Amendments made to IAS 19, such as on plan amendment, curtailment or settlement, issued by the IASB in February 2018.
- The inclusion of IFRIC 14 in GRAP 25, and the current IASB project to amend IFRIC 14 to include guidance on the availability of a refund of a surplus from a defined benefit plan.
- The appropriateness of the Interpretation of the Standards of GRAP on *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (IGRAP 7)
- The inclusion of *Improvements to IPSAS, 2018* related to employee benefits.
- The inclusion of improvements undertaken by the IASB as part of its 2014 – 2016 and 2015 – 2017 cycle of *Improvements to IFRSs*, and other narrow scope amendments related to employee benefits which were not included in the IPSASB's *Improvements to IPSAS, 2018*.
- Other issues raised by stakeholders on GRAP 25, and previous guidance issued by the Secretariat.
- Issues identified by the AGSA as part of the audit process.
- Issues identified in the Modified Cash Standard (MCS) environment.
- Any other issues that may be topical on employee benefits, e.g. termination benefits.
- The transitional provisions for the proposed amendments, and whether they could be included as part of the revised version of GRAP 25, or equivalent.



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Environment	
Legislation or regulatory requirements affecting the project	<p>South African labour legislation, such as:</p> <ul style="list-style-type: none"> - Public Service Act, and related Regulations - Government Employees Pension Law (setting requirements for the Government Employees Pension Fund) - Municipal ordinances, by-laws or similar governing remuneration of municipal officials.
Existing accounting guidance in the Standards of GRAP, IPSASs or IFRSs	<p>The Standard of GRAP on <i>Employee Benefits</i> (GRAP 25)</p> <p>The Interpretation of the Standards of GRAP on <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> (IGRAP 7)</p> <p>The International Public Sector Accounting Standard on <i>Employee Benefits</i> (IPSAS 39)</p> <p><i>Improvements to IPSAS, 2018</i></p> <p>The International Accounting Standard on <i>Employee Benefits</i> (IAS 19)</p> <p>The IFRIC Interpretation on <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> (IFRIC 14)</p> <p><i>Annual Improvements to IFRS Standards 2014 – 2016</i></p> <p><i>Annual Improvements to IFRS Standards 2015 – 2017</i></p>
Practices in other countries	N/A
Use of experts	It is not anticipated that an expert will be necessary.
Stakeholders	
Entities in the public sector affected by this project	All entities in the public sector that apply Standards of GRAP.
Key stakeholders to be consulted during the development of the project	<p><i>Preparers</i></p> <p>A representative group of preparers will be consulted, including municipalities as most municipalities have post-employment benefit obligations to current and retired employees, and public entities.</p> <p>Consultants that assist entities to prepare financial statements will be consulted.</p> <p>Audit firms, specifically technical divisions, will be consulted.</p> <p>National Treasury's Office of the Accountant-General will be consulted, including officials with knowledge of issues in the MCS environment.</p> <p>COGTA – Technical support team dealing with municipal queries.</p> <p><i>Auditors</i></p> <p>A representative group of auditors will be consulted, including the Audit Research and Development unit of the AGSA.</p>



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	Professional bodies (including e.g. SAICA, CIGFARO, SAIPA and SAIGA) will be consulted.
Key stakeholders to be consulted as part of the <u>public consultation</u> process	<p>A public consultation process will be followed after the Board has approved the draft proposed amendments to GRAP 25 for exposure.</p> <p><i>General consultation</i></p> <p>Preparers, auditors, consultants, and other representative bodies involved in the preparation or audit of financial statements that are prepared using Standards of GRAP will be consulted. Stakeholders in all nine provinces and all types of affected entities will be targeted. This will include consultations through:</p> <ul style="list-style-type: none"> - Preparers, auditors, consultants, users, and other bodies that are members of the Public Sector Accounting Forum. - Preparers that are members of the delegated and non-delegated municipal CFO Forums. - Preparers that are members of the Public Entity CFO Forum. <p><i>Targeted consultations</i></p> <p>Provincial Accountants-General.</p> <p>National Treasury – OAG, Public Finance and Budget, and Intergovernmental Relations (local government budget and mSCOA team).</p> <p>Users such as municipal officials and councillors, through SALGA or COGTA, and municipal oversight committees.</p> <p>Actuaries.</p>
Linkages	
ASB projects	Improvements to Standards of GRAP 2019
IPSASB projects	<i>Improvements to IPSAS, 2018</i>
IASB projects	<p>Amendment of IAS 19 <i>Plan Amendment, Curtailment or Settlement</i></p> <p>Amendment of IFRIC 14 <i>IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i></p>
Local reforms in public financial management	mSCOA
Project plan	
Key milestones and timing	See Annexure for roadmap.



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Annexure – Road map for the Review of GRAP 25 *Employee Benefits*

Milestone		Timing	Stakeholder	Linkages
1.	Research proposed amendments to GRAP 25	Q 1 2020 (Jan – Mar '20)	Consultation with various groups of stakeholders, as per stakeholder engagement plan.	Improvements to Standards of GRAP 2019
2.	Draft Amendments to GRAP 25	Q 2 2020 (Apr – Jun '20)	Developed in conjunction with stakeholders identified above	
			Presented for internal review	
			Presented to Technical Committee	
			Presented to Board	
3.	Publish communication material	Q 3 2020 (Jul – Sept '20)	Presented for internal review Technical Committee and Board review, if necessary	
4.	Consult on ED on proposed amendments to GRAP 25	Q 3 to 4 2020 (Jul – Dec '20)	Consultation with various groups of stakeholders, as per stakeholder engagement plan.	
5.	Final Amendments to GRAP 25 (and consequential amendments to other standards)	Q 1 2021 (Jan – Mar '21)	Developed in conjunction with stakeholders identified above	
			Presented for internal review	
			Presented to Technical Committee	
			Presented to Board	
6.	Publish communication material	Q 2 2021 (Apr – Jun '21)	Presented for internal review Technical Committee and Board review, if necessary	



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Document management		
Prepared by:	E van der Westhuizen	27 August 2018
Revised by:		
Approved by:		