

**Board actions following the  
Post-implementation  
Review of GRAP 103 on  
*Heritage Assets***





# Disclaimer

***The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.***





# Background

- ED 180 on the Post-implementation review (PIR) on GRAP 103 closed 15 September 2020
- Comment and proposed actions considered and agreed by ASB December 2020
- Timelines to address SA specific matters:
  - Communication to stakeholders → March 2021
  - Develop or revise FAQs → September 2021
  - Amendments to GRAP 103 → ED September 2021





# IPSASB Projects

- (a) Amendments to IPSAS 17 *Property, Plant and Equipment*
  - address lack of international public sector guidance on heritage assets through application and implementation guidance
- (b) New IPSAS on *Measurement*
  - provide guidance on initial and subsequent measurement of asset and liabilities and measurement disclosures
  - define measurement bases and provide guidance on how these should be applied



# Comment received and actions for Board or Secretariat



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# General observations

## Users

- Support reporting of heritage assets under GRAP 103
- Some emphasised challenges experienced by preparers with implementation of GRAP 103

## Preparers

- GRAP 103 had positive effect on way in which heritage assets are managed and preserved
- Cost of implementing GRAP 103
- Skill and capacity shortages





# General observations

## Preparers:

- Proposal to develop Reporting Framework for smaller entities
- Disagreements with auditors
  - non-reliance on valuations by curators and/or internal experts
  - request to provide three valuations  
(to be addressed with relevant stakeholders)





# Classification of h/a as separate asset category

## Users

- Confirmed that separate classification provides useful information – is mechanism to ensure preservation
- Preparers apply different criteria to assess if asset should be recognised as h/a – may result in different classifications of similar h/a
- Increased risk of theft – info publicly available







# Classification of h/a as separate asset category

## Preparers

- Challenges to assess if asset meets definition of h/a:
  - Difficult to practically apply principles in GRAP 103
  - Employees unqualified to make assessment → use experts
  - Future generation's expectations differ from management's current assessment
  - Takes time to assess if definition of h/a is met
  - Various practical application issues





# Classification of h/a as separate asset category

## Proposed action

### (a) New FAQs

- to address security risk issue
- clarify that classification of asset as a h/a should be based on how asset is current used

### (b) Expand existing FAQ on specimens collected for research

- items still to be evaluated can only be accounted if def of asset is met
- recognising items at R1 is inappropriate





# Classification of h/a as separate asset category

## Proposed action

- (c) Engage with DAC and SAHRA to develop
  - simplified guidance to be applied by all employees not familiar with GRAP 103
  - centralised database to be used by entities with similar types of h/a
- (d) Inform DAC and SAHRA on comments re co-ordinated approach and standardised conservation policies
- (e) Engage with OAG to provide guidance in GRAP Guide





# Legislative designation versus accounting of h/a

- Stakeholders supported disclosure of h/a designated in legislation but not accounted for in GRAP 103
- Proposal to better align description of heritage resource in legislation with definition of h/a in GRAP 103
- Need for guidance where heritage resource was designated as such in legislation but entity concludes such designation is inappropriate





# Legislative designation versus accounting of h/a

## Proposed action

- (a) Discuss with NT how disclosure for h/a designated not accounted for may be included in other general-purpose financial statements
- (b) Review def of h/a in GRAP 103 to enhance with legislative description
- (c) Expand FAQ about differences between accounting and legislation – continue to apply GRAP 103 despite declassifications
- (d) Engage DAC and SAHRA – how to declassify resource





# Initial recognition

## Challenges on initial recognition include:

- Use of valuers
- Approaches/methodologies applied to value h/a
- Valuation challenges
- Audit issues
- Separation of land from h/a
- Use of insurance values, auction prices etc.





# Initial recognition

## Reasons why value cannot be determined:

- Absence active market or no valuation technique
- Unique nature of h/a
- No intention to sell and h/a cannot be replaced
- No supporting documents for donated h/a

## Other comment

- Reflecting h/a at R1 value not useful for decision making
- Continuously re-assess if reliable info becomes available





# Initial recognition

## **Proposed actions to amend GRAP 103:**

- (a) Allow use of peer data
- (b) Acknowledge that no reliable value may be determined for certain h/a – archaeological and natural history
- (c) Clarify when a reliable measure for fair value cannot be determined
- (d) Expand explanation on restriction on disposal
- (e) Allow for aggregation of individually immaterial items
- (f) Re-assess if reliable value becomes available - indicators







# Initial recognition

## Other proposed actions

### (a) Develop new FAQs

- explain circumstances when use of insurance value, auction prices etc is inappropriate
- separation of land and other resources on land

### (b) Engage with OAG – need to recognise h/a in f/s

### (c) Engage with OAG and AGSA – valuation expectations and agree action and way forward





# Subsequent measurement

## Observations from stakeholders:

- Measurement basis applied do not affect decision making
- Most entities apply cost method
- Frequency of revaluations three to five years
- Challenges for determining a reliable value similar those noted on initial recognition
- Consider extending effective date Directive 11





# Subsequent measurement

## Proposed action

- Retain both cost method and revaluation method
- No extension Directive 11 → sufficient time for entities to comply with GRAP 103





# Impairment

## Observations from stakeholders:

- Most preparers confirmed relevance of impairment
- Challenges noted from users:
  - assessing impairment or impairment reversal
  - calculate recoverable amount (RA) or recoverable service amount (RSA)
  - disagreements with auditors on when h/a is impaired





# Impairment

## Proposed action

- Engage valuation experts on commonly used indicators → to possibly expand list in GRAP 103
- Address audit concerns with AGSA
- Engage DAC to provide simplified guidance
- Engage OAG to include illustrations and examples of indicators in GRAP Guide
- Monitor IPSAS project





# H/a with significant alternative use

## Observations from stakeholders:

- Users proposed all h/a be accounted to GRAP 103 irrespective of alternative use
- Preparers noted challenges with assessing if h/a has another significant use – need for guidance in this area
- Preparers had mixed views on classification and depreciation of h/a with significant use
- Challenges with determining useful life and residual value





# H/a with significant alternative use

## Proposed action to amend GRAP 103

- All h/a presented as single line in f/s
- Info about h/a alternative use disclosed in note
- All h/a accounted for ito GRAP 103 thus NO depreciation

NB monitor IPSAS project on depreciation





# Disclosure

## Observations from stakeholders:

- Support for current disclosures with proposals to expand
- Proposals to include additional disclosures







# Disclosure

## Proposed action

- Most of additional disclosures are more relevant to comprehensive understanding of service performance objectives and mandatory requirements
- Engage DAC and National Treasury to consider how these can be included in other reports
- GRAP 103 – reconsider encouraged disclosures



**Recommendations for  
action to be considered by  
Depart of Arts and Culture  
and/or SAHRA**





# Proposed action

## Engage DAC and SAHRA

- Development of centralised database with h/a information
- Development of simplified guidance on GRAP 103 principles
- Guidance on management of h/a
- Standardised conservation policies
- Guidance on process to declassify designated h/a





# Proposed action

## Engage DAC and SAHRA

Share implementation challenges noted during engagement

- increased security risk
- lack of funding to properly insure h/a against theft



# Recommendations for action to be considered by National Treasury





# Proposed action for OAG/NT consideration

## Engage with OAG to update GRAP Guide

- guidance on items held for research and/or items that still need to be evaluated - can only be accounted for as h/a if definition of an asset is met;
- clarify that recognising h/a at R1 is inappropriate as it does not reflect value of asset;
- explain why h/a provides service potential to meet def of h/a
- explain accounting for h/a subject to lease arrangements





# Proposed action for OAG/NT consideration

## Engage with OAG to update GRAP Guide

- explain that internal policies should clarify that items controlled should be recognised in f/s if def of asset is met irrespective if entity has completed GRAP 103 evaluation
- provide practical application guidance on calculation of RA or RSA and practical examples of when an indicator for an impairment has been triggered





# Proposed action for OAG/NT consideration

## Engage with OAG to update GRAP Guide

- inclusion of disclosures in general purpose financial reports
- illustrate GRAP 3 application when transitional relief is applied
- explain importance and need to recognise all h/a in f/s when controlled





# Recommendations for action to be considered by Auditor-General South Africa



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# Proposed action for AGSA

## Technical concerns noted during engagement

- non-reliance on valuations obtained by curators or internal valuers
- requirement that three valuations should be obtained to support the valuation
- grouping of h/a of a similar nature of function into classes





# Proposed action for AGSA

## Technical concerns noted during engagement

- categorisation of h/a – interpretation of def
- impairment of h/a





# Engagement between trilateral parties

- Expectations concerning valuations of assets insofar as it relates to level of detail to be included in valuation reports, and who, from an audit perspective is qualified to undertake valuations
- Agree action between trilateral parties
- Joint Communication issued by trilateral parties



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