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Resources available to help you prepare your financial statements

As PFMA entities enter the final stages of their financial statement preparation, this is a reminder of the resources available to better apply the Standards of GRAP and to keep up to date on new developments:

- [FAQs](#) issued by the staff of the ASB.
- [Asset classification decision tree](#).
- [Accounting Guidelines](#) issued by the Office of the Accountant-General (OAG).
- [GRAP Disclosure checklist](#) issued by the OAG.

Follow the ASB on LinkedIn, Twitter and Facebook to keep up to date on topical issues during the audit cycle, new developments, and other accounting news.

ASB issues revised GRAP 25, reviews compliance with GRAP 2

The Board met on the 25th of March 2021. The key decisions of the Board are outlined below.

Final revisions to GRAP 25 on *Employee Benefits* issued

The Board approved the revisions to GRAP 25 and its related Interpretation. The changes to GRAP 25 are a result of aligning the Standard with IPSAS 39 on *Employee Benefits*. The revisions provide:

- Improved guidance on the distinction between short-term and long-term benefits.
- A better distinction between termination and other benefits.
- Revised principles for the classification of the components that comprise post-employment benefit plans.
- Improved disclosure objectives and related disclosure requirements for all employee benefits.

Once effective, the revised Standard will replace the original GRAP 25.

The ASB will make a submission to the Minister of Finance proposing an effective date of 1 April 2023 for the revised Standard.

Review of compliance with GRAP 2 on *Cash Flow Statements*

The Board completed a review of compliance with GRAP 2. The purpose of the review was to assess compliance with GRAP 2, identify common issues in practice and emerging trends. The review was based on the publicly available financial statements for the 2018/2019 reporting period. Findings

identified from the review of the financial statements were discussed with a broad range of stakeholders to identify root causes.

The Board identified several specific issues relating to the preparation of the cash flow statement, which include the following:

- There is no specific materiality applied to the preparation of the cash flow statement.
- Incorrect classification of items as operating, investing and financing.
- Non adjustment of non-cash items in various parts of the cash flow statement and/or reconciliation.
- Limited disclosures provided in the notes to the financial statements, including the statement of accounting policies.

The detail of these issues and the proposed responses will be communicated in a Research Paper. The Research Paper will be reviewed by the Board in June 2021.

The following were the most cited reasons for the issues identified in the review:

- Lack of skills.
- Capacity constraints at entities.
- Human error, e.g. mathematical mistakes, omissions, etc.
- Adjustments not made by preparers to templates or automatically generated cash flow statements produced using reporting software.

The issues identified in the review indicate a broader need for improving the processes, policies and overall financial management environment within which financial statements are prepared by entities. As a result, no changes are needed to GRAP 2. Some of the issues can be resolved through communicating the results of the review as well as developing new or amending existing FAQs. Issues requiring specific implementation guidance will be communicated to the Office of the Accountant-General (OAG).

IPSASB issues four new Exposure Drafts

The IPSASB issued a package of Exposure Drafts for Comment in late April 2021. The comment deadline is 25 October 2021.

As the ASB uses the IPSASs to develop Standards of GRAP, it is important to provide inputs to the IPSASB on South African specific issues so that these are considered when finalising the IPSASs. The ASB will issue the Exposure Drafts locally for comment during the course of the month, and will arrange sessions to discuss the proposals in August and September.

The table below provides a list of the Exposure Drafts along with an overview of their contents.

Exposure Draft	Overview
ED 76, <i>Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</i>	Changes made to the Chapter on Measurement in the Conceptual Framework based on the introduction of fair value in ED 77 along with revising or refining other concepts related to measurement.
ED 77, <i>Measurement</i>	New IPSAS to deal with the valuation approaches and methodologies related to the measurement of assets and liabilities. Includes guidance on determining fair value based on IFRS 13, and includes guidance on other bases such as “current operational value” and “cost of fulfilment”.
ED 78, <i>Property, Plant and Equipment</i>	Revisions to IPSAS 17 were made to respond to concerns raised about the application of the Standard to infrastructure assets. After deliberations the IPSASB agreed that separate guidance is not needed for heritage assets and that IPSAS 17 should be used. Application and implementation guidance has been added to address heritage assets. Changes are also proposed to IPSAS 17 as a result of the principles in ED 77.

The Exposure Drafts can be accessed on the IPSASB's website. Supporting materials such as summaries and videos have also been published by the IPSASB. The links are as follows:

[ED 76 on Conceptual Framework - Amendments to Chapter 7](#)

[ED 77 on Measurement](#)

[ED 78 on Property, Plant and Equipment](#)

[ED 79 on Non-current Assets Held for Sale and Discontinued Operations](#)

Attend the IPSASB's virtual June meeting

The IPSASB will continue to hold its meetings virtually. Join the IPSASB's next meeting which will be held from 15 to 18 and 22 June 2021. The meetings are streamed on YouTube. For more details and to register, follow this [link](#).

The key issues currently being debated by the IPSASB include:

- Revenue with and without performance obligations.
- Transfer expenses.
- Natural resources.
- Reporting by retirement plans.

The agenda and meeting papers will be published on the IPSASB's website closer to the time.

As the meetings continue to be held virtually, it is a great opportunity to listen to the IPSASB's deliberations on topical issues affecting accounting in the public sector globally.



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