

**MEETING HIGHLIGHTS – JUNE 2021**

Topic	Issues deliberated	Decisions of the Board	Status	Effective date	Next steps
<p><b>Proposed IGRAP on <i>The Effect of Past Decisions on Materiality</i></b></p>	<p><i>Is there a difference between materiality applied by auditors and preparers?</i></p>	<p>The definition of materiality is the same for preparers and auditors. However, how materiality is applied is different. Preparers use materiality so that the most relevant information is provided to users, while auditors use materiality to design their audit procedures and to assess misstatements in the financial statements.</p> <p>Preparers should carefully consider and document their assessments of materiality and discuss materiality with the auditors as well as the audit committee (or equivalent). Ongoing discussions between the preparers and the auditors about materiality may help to minimise disagreements during the audit.</p>	<p>Approved and issued as IGRAP 21.</p>	<p>1 April 2023, earlier application is encouraged.</p>	<p>Project complete. Raise awareness of project.</p>
	<p><i>Do changes in materiality affect the past accounting for transactions?</i></p>	<p>Materiality is assessed quantitatively and qualitatively. Quantitative thresholds and qualitative criteria are developed and applied in preparing financial statements. Depending on the facts and circumstances that exist in each reporting period, the thresholds and criteria may change. Changes to materiality in subsequent reporting periods does not affect the accounting applied in previous reporting periods.</p>			

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<b>Proposed IGRAP on <i>The Effect of Past Decisions on Materiality</i></b>	<i>Is comparative information restated when changing from an alternative accounting treatment to an accounting policy?</i>	Accounting policies are based on the principles in the Standards of GRAP and are applied to material items. Alternative accounting treatments are applied to immaterial items and are based on the principles in the Conceptual Framework.  A change from applying an alternative accounting treatment for immaterial items to applying an accounting policy for material items does not affect the previous accounting for those items. This includes the presentation of comparative information.	Approved and issued as IGRAP 21.	1 April 2023, earlier application is encouraged.	Project complete.
	<i>What basis should be used to develop alternative accounting treatments?</i>	Alternative accounting treatments are developed using the Conceptual Framework. Although GRAP 3 on <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> does not explicitly state that the Conceptual Framework should be used, financial statements are prepared using the underlying principles in the Conceptual Framework. As a result, the accounting should be consistent with the principles in the Conceptual Framework.			
	<i>What are the transitional provisions for the initial adoption of the Interpretation?</i>	The Interpretation should be applied prospectively. This means that entities are not required to assess the past decisions about materiality. This includes assessing whether errors were made in the past application of materiality.			
	<i>From when should the Interpretation be applied?</i>	The Interpretation should be applied for reporting periods commencing on or after 1 April 2023. As materiality is already considered in preparing the financial statements, entities are encouraged to early adopt the Interpretation.			

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<b>Results of the review of Directive 12 on The Selection of an Appropriate Reporting Framework by Public Entities</b>	<i>How many entities that applied Statements of GAAP or IFRS Standards changed their reporting framework?</i>	Twenty-three entities that applied Statements of GAAP changed their reporting framework. Nineteen of these entities adopted Standards of GRAP, and four entities that applied IFRS Standards adopted Standards of GRAP.	Review completed.	Not applicable.	Develop Research Paper.
	<i>Did the change in reporting framework result in audit issues?</i>	There were no specific audit issues relating to the application of Directive 12. Some issues related to the application of the Standards of GRAP resulted in adverse audit findings. These included the recognition of revenue and assets. However, these issues existed prior to the adoption of Standards of GRAP.			
	<i>Should similar entities apply different reporting frameworks?</i>	It was observed that similar entities (specifically Water Boards) apply different reporting frameworks. It was questioned whether this is appropriate and if the users need financial statements prepared on the same basis.  Some Water Boards are funded differently, and this resulted in some applying IFRS Standards and others applying Standards of GRAP. The Executive Authority did not express any concerns about the financial statements being prepared on a different basis.			
	<i>Are changes needed to Directive 12?</i>	Based on the results of the review and consultation with stakeholders, there were no matters identified that indicated a need to amend the Directive.  The Secretariat will issue a Fact Sheet outlining responses to specific issues raised during the review.			

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<b>Results of the review of Directive 12 on The Selection of an Appropriate Reporting Framework by Public Entities</b>	<i>Were any changes needed to the Prefaces to the pronouncements issued by the Board after completing the review?</i>	<p>At the last meeting, the Board agreed to combine the different Prefaces into a single document. Text relating to the due process of the Board will be published separately in a “Due Process Handbook”. Other changes have been made to the text to improve its understandability. No changes were proposed to the entities for whom Standards of GRAP are developed.</p> <p>Based on the outcomes of the review of Directive 12, there were no additional changes proposed. The new Preface will be included in the Standards of GRAP from 1 April 2022.</p>	Review completed.	Not applicable.	Develop Due Process Handbook by September 2021.
<b>Desktop Review of Cash Flow Statements Presented in the Financial Statements</b>	<i>How should the findings of the review be communicated?</i>	<p>The Board agreed at the last meeting to develop a Research Paper outlining the findings. The Board approved the Research Paper at this meeting.</p> <p>It was agreed that the results of future reviews would be communicated in a different document.</p>	Research Paper published.	Not applicable.	None.