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MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 31 AUGUST 2021

CHAIRMAN A van der Burgh

MEMBERS OF THE COMMITTEE

BOARD REPRESENTATIVES

C Braxton

D Dlamini (12:20)

REPRESENTATIVE OF THE AGSA

M Grobbelaar

REPRESENTATIVE OF THE OAG

L Bodewig

REPRESENTATIVE OF THE ASB

E Swart

OBSERVER W de Jager

EX OFFICIO

J Poggiolini Technical Director

A Botha Project Manager

T Tshoke Project Manager

E van der Westhuizen Project Manager

Board Members: Mr C Braxton (Chair), Mr D Dlamini, Ms W de Jager, Ms K Maree, Dr P Masegare, Ms P Moalusi (Deputy-Chair), Ms N Themba, Mr A van der Burgh
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

1. WELCOME AND APOLOGIES

- 1.1 Members were WELCOMED to the meeting by the Deputy-Chairman. It was NOTED that D Dlamini would join the meeting later. Apologies were NOTED from Dr P Masegare.
- 1.2 It was NOTED that the AGSA changed its representative on the Technical Committee. Mr M Grobbelaar will replace Ms M Mentz from this meeting.

2. CONFIRMATION OF THE AGENDA

The agenda was CONFIRMED without any additions.

3. DECLARATIONS OF INTERESTS

- 3.1 Members were ASKED to indicate if they had any amendments to their declarations of interests, and if they had an interest in any of the agenda items being discussed.
- 3.2 No declarations were NOTED.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were TABLED. The minutes were APPROVED without amendment.

5. MATTERS ARISING

- 5.1 The Secretariat TABLED a memorandum of the matters arising from previous meetings.
- 5.2 The Secretariat NOTED the following:
 - The Secretariat has asked the staff at SAIPA for a meeting to discuss broader areas of collaboration, and this will include a discussion on linkages to/from their website to the ASB's.
 - The trilateral communication on the post-implementation review of heritage assets is awaiting final review by one of the trilateral parties.
 - The Secretariat will discuss the concerns raised by the Legal Unit of the National Treasury on the publication of the transitional provisions in Directives once the effective date of GRAP 25 on *Employee Benefits* has been finalised.
- 5.3 Members QUESTIONED the following:
 - What is the concern raised by the Legal Unit on the transitional provisions? The concern relates to the separate publication of the transitional provisions in the Directives rather than as part of the Standard. The full extent of the issues will need to be established.
 - What is the status of the appointment of the FRSC? With the change in Minister, there is no progress to report.
 - Should the FAQ on GRAP 109 on *Accounting by Principals and Agents* be updated to reflect recent queries raised? A query was raised about a relief fund established and jointly funded by a public entity and a national department. Questions were raised about whether the funding affects the assessment of the principal-agent arrangement. It was AGREED that this

issue could be included in the review of GRAP 109. The Secretariat should monitor the need for an FAQ in the short-term.

Secretariat

TECHNICAL MATTERS

DISCUSSION ON IPSASB'S PROPOSALS ON MEASUREMENT AND PROPERTY, PLANT AND EQUIPMENT

6.1 The Secretariat PRESENTED the key proposals of the IPSASB's Exposure Drafts on changes to the Conceptual Framework and IPSAS 17 on *Property, Plant and Equipment*.

Conceptual Framework and measurement

6.2 The Secretariat SHARED the general observations by stakeholders at the education session that supported the alternative views expressed on the current operational value.

6.3 Members AGREED with the alternative view, based on the following observations:

- The definition of the current operational value is vague, and the reference to "value" is confusing as it can be associated with an exit-based metric.
- The IPSASB is proposing that the current operational value is an entry value. The guidance on the measurement techniques is confusing as it does not consistently discuss the current operational value as an entry-value. For example, the guidance on the income approach suggests that the current operational value is an exit-value.

6.4 Members DISCUSSED whether there is merit in the IPSASB redefining current operational value. It was noted that the IPSASB could consider whether it should have two separate entity-specific measurement bases with one being an exit-value and the other entry-value. This would mean the retention of the replacement cost as an entry-value and introduce current operational value in its literature as an exit value.

6.5 Members also DISAGREED with the IPSASB's proposed treatment of surplus capacity. In their view, current operational value is entity-specific and reflects the current use of the asset, as such it is inappropriate to consider surplus capacity if the current use of the asset does not include the surplus capacity.

6.6 A member also NOTED that an entity may calculate a different operational value if there is excess capacity. If a market based approach or cost approach is used then the current operational value would be the cost to replace the entire asset. Should the income approach be used this would only discount benefits from the current usage (80% for example) and hence is based on the used portion of the asset only.

Heritage assets

6.7 Members NOTED that heritage assets with a dual purpose could be grouped with another class of property, plant and equipment rather than being classified separately as heritage assets. When dual purpose heritage assets are classified in this manner, rather than as a separate subset of property, plant and equipment, information that may inform decision making may be lost.

Infrastructure and measurement in IPSAS 17

- 6.8 Members NOTED the key proposals related to guidance on infrastructure assets, and measurement of property, plant and equipment. No specific issues were raised.

PROPOSED AMENDMENTS TO GRAP 103 ON HERITAGE ASSETS

- 7.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Minutes of the project group meetings.
 - Proposed Invitation to Comment (ITC).
 - Proposed amendments to GRAP 103 on *Heritage Assets*.
- 7.2 Members NOTED the background to the development of the proposed ITC and Exposure Draft that include proposed amendments to the areas agreed by the Board at its December 2020 meeting. It was NOTED that two project group meetings were held during August 2021 to consider the proposed ITC and Exposure Draft. Project group members recommended the proposed pronouncements to the Technical Committee for its consideration.

Definition of a heritage asset

- 7.3 It was NOTED that the Board agreed to review the definition of a heritage asset in GRAP 103 to consider how it can be enhanced to better align it with the legislative description of a heritage resource in the National Heritage Resources Act, 1999, and the South Africa Heritage Resources Agency (SAHRA) classification. The amended definition focuses on cultural significance, using the legislative description. The characteristics displayed by heritage assets and the range of assets that could be regarded as heritage assets were also aligned with the legislative guidance.
- 7.4 Members AGREED with the proposed amendments to the definition of a heritage asset.

Classification of heritage assets with an alternative use

- 7.5 It was NOTED that the Board agreed to amend the classification of heritage assets with a significant alternative use to require that all heritage assets should be accounted for using GRAP 103. As a result of this change, heritage assets with an alternative use will no longer be depreciated. Instead, these assets will only be assessed for impairment if an indicator has been triggered. In addition, the following amendments are PROPOSED:
- (a) the deletion of the requirement in GRAP 103 that a heritage asset should reflect a heritage value and another value if the heritage asset has a significant alternative use;
 - (b) the inclusion of an example that explains that assets, that are used with a heritage asset, should be accounted for using the appropriate Standard of GRAP;
 - (c) additional disclosures that require information about the heritage asset's significant alternative use if this is material; and

- (d) transitional guidance to explain that when a heritage asset is reclassified from another Standard of GRAP, any previously recognised depreciation should be adjusted retrospectively against accumulated surplus or deficit. The heritage asset should be reclassified at cost on initial recognition, and should be tested for impairment on the date that the amendments are first applied.

7.6 The Technical Committee AGREED with the proposed amendments relating to the classification of heritage assets.

Determining a reliable value

7.7 It was NOTED that the proposed amendments relate to the following three areas:

- (a) Use of peer data – a requirement is included to allow entities that have no, or insufficient sources of entity-specific data, to use peer group experience for a comparable heritage asset in determining a reliable value for the heritage asset.
- (b) Protective rights imposed by legislation or similar means – the requirement has been emphasised to explain that a restriction on the disposal of a heritage asset imposed by legislation or similar means does not preclude the entity from determining a reliable value.
- (c) Variability in the range of reasonable fair value estimates – guidance has been included to explain that if the variability in the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed, a fair value should not be determined for the heritage asset.

7.8 It was also NOTED that additional disclosure requirements are proposed for (a) heritage assets that are subject to protective rights, and (b) the reason for disposing a heritage asset on which a protective right is imposed.

7.9 It was NOTED that the majority or project group members supported the additional clarification on protective rights. A minority were concerned with valuing archaeological and palaeontological collections following the proposed amendments. It was noted that a few entities, on adoption of GRAP 103, did not value these types of collections because of protective rights imposed by legislation. These members noted that requiring archaeological and palaeontological collections to be valued will have significant cost implications for entities. A blanket exemption from valuing these collections was proposed for inclusion in GRAP 103. The Secretariat did not support this proposal, but noted that the guidance on the variability in the range of fair value estimates should address this concern.

7.10 It was NOTED that some project group members also questioned the nature of audit evidence that should be available to support management's conclusion that a fair value could not be determined. It was NOTED that the National Treasury has commenced work on developing guidance that will assist preparers to value assets, including the appropriate documentation that should be maintained.

7.11 It was PROPOSED that guidance should be included in GRAP 103 to explain what is meant with “active market” as referred to in paragraph .46A. After some debate, it was AGREED that the first sentence should be rephrased to explain that the best evidence of fair value is prices quoted in an active and liquid market.

7.12 The Technical Committee AGREED with the other proposed amendments.

Secretariat

Re-assess if a reliable value becomes available

7.13 It was NOTED that the Board agreed to amend GRAP 103 to require an entity to continuously re-assess if reliable information becomes available if a value could not be determined on initial recognition. The Board also agreed that such a re-assessment should be undertaken by applying an indicator-based approach. The following amendments were PROPOSED to address this decision:

- (a) introduce a principle that requires an entity to assess, at each reporting date, if an indication exists that a value can be determined subsequently. If such an indication exists, the entity is required to recognise the heritage asset;
- (b) introduce a list of indicators that an entity should apply to assist with the annual re-assessment;
- (c) add guidance on how to account for the heritage asset when a reliable measure becomes available subsequently; and
- (d) add a new disclosure requirement to provide information on the events or circumstances that resulted in a reliable value becoming available subsequently.

7.14 The Technical Committee AGREED with the proposed amendments relating to re-assessing if a reliable value becomes available.

Secretariat

Aggregation of individually immaterial heritage assets

7.15 It was NOTED that guidance has been included to emphasise that information on heritage assets does not need to be presented and disclosed on an individual basis, but entities may aggregate individually immaterial items.

7.16 Members AGREED with the proposed amendment. It was also agreed that the principles on unit of account should be expanded to explain that, even though an individual item may have limited cultural significance, a collection of similar individual items may have a higher degree of cultural significance than the individual items making up the collection. The unit of account, in this instance, is more likely to be the collection of items.

Secretariat

Impairment of heritage assets

7.17 It was NOTED that the impairment indicators were reconsidered based on the Board’s decision. This resulted in the inclusion of additional indicators and examples.

7.18 The Technical Committee AGREED with the proposed amendments. It was also AGREED that the focus of the additional indicator included in paragraph .63 should be on significant changes having an adverse effect on the asset, rather than on the entity.

Secretariat

Encouraged disclosures

7.19 It was NOTED that the encouraged disclosures in GRAP 103 were reconsidered, and the following disclosures were proposed for deletion:

- (a) Information about the age and condition of the heritage asset.
- (b) Disclosure of the fair value of heritage assets that are not recognised on initial recognition.
- (c) Disclosure of the fair value of heritage assets where the cost model is applied.

7.20 It was NOTED that, as users find disclosures on heritage assets that are held and borrowed from, or on loan to other entities useful, it was RECOMMENDED that this requirement becomes mandatory.

7.21 The Technical Committee AGREED with the amendments to the encouraged disclosures.

Transitional provisions

7.22 The proposed transitional provisions for the amendments proposed were NOTED. Members AGREED with the proposed transitional provisions.

Proposed ITC and Exposure Draft

7.23 Members RECOMMENDED the ITC and Exposure Draft to the Board for its consideration.

Secretariat

7.24 It was NOTED that the usual comment period for Exposure Drafts is 3 months, but given the December holidays, the Secretariat PROPOSED that the comment deadline should be extended to the end of January 2022. Members AGREED with the proposed comment deadline.

Secretariat

7.25 It was NOTED that the Secretariat will develop new Frequently Asked Questions (FAQs) and amend existing FAQs on heritage assets to reflect the changes once approved. The FAQs will be shared with representatives of the Auditor-General South Africa and the Office of the Accountant-General before input will be solicited from the Public Sector Accounting Forum.

Secretariat

DISCUSSIONS ON GOING CONCERN

8.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Approved project brief on Going Concern and Liquidation Basis.

- 8.2 It was NOTED that the objective of this project is to consider existing guidance and disclosure requirements on going concern to assess the need for additional guidance, and to assess the need for guidance on the liquidation basis of accounting.
- 8.3 It was NOTED that information relevant to the project was obtained:
- from high-level discussions with relevant stakeholders;
 - through the review of audited financial statements; and
 - through a questionnaire that was issued to entities that apply the Standards of GRAP.

Going concern and material uncertainties

- 8.4 The local and international guidance on going concern and material uncertainties were NOTED.
- 8.5 The Technical Committee SUGGESTED that guidance can also be obtained from the large audit firms that have issued guidance from an IFRS perspective. It was also proposed that guidance from other professional bodies, such as the ICAEW could be considered.

Secretariat

Assessing going concern and material uncertainties

- 8.6 It was NOTED that management, in most instances, considers information beyond twelve months when assessing going concern.
- 8.7 Members NOTED the common factors that management considers when assessing going concern. It was NOTED that stakeholders shared the need for guidance in a number of areas and proposed, among others, the development of:
- a flow chart with going concern questions to be considered by management when assessing going concern;
 - a uniform format to ensure consistent assessment by management of going concern; and
 - a standardised approach to assess the impact of COVID-19 on an entity's going concern assessment.
- 8.8 It was NOTED that the need for additional guidance in the GRAP Accounting Guideline was also proposed.
- 8.9 The Secretariat RECOMMENDED the following:
- it is inappropriate to develop a flow chart, a uniform format, and a standardised approach to assess the impact of COVID-19, as entities need to consider their specific circumstances, along with the nature of their activities when assessing going concern;
 - the need for additional guidance to be included in the GRAP Accounting Guideline will be shared with the OAG;
 - a Fact Sheet should be developed to:

- (a) outline the most common features, factors and other accounting considerations that management may consider when assessing going concern and material uncertainties. Inputs from stakeholders, and factors listed by other standard-setters or organisations will be used in developing this guidance;
 - (b) emphasise that, based on the current economic environment within which entities operate, it is important to consider information beyond twelve months when assessing going concern; and
 - (c) emphasise that the going concern assessment should be entity specific based on the entity's specific circumstances; and
- guidance should be included in GRAP 1 on *Presentation of Financial Statements* to explain when preparing financial statements on a going concern basis is inappropriate. This guidance will be derived from ISSAI 1570.

8.9 The Technical Committee SUPPORTED these recommendations.

Secretariat

Information disclosed on going concern

8.10 It was NOTED that information on the entity's ability to continue as a going concern is included in:

- the accounting policy note, with further explanations in the disclosure notes on going concern or events after the reporting date; and
- the foreword and introduction to the annual report, or the CEO, chairperson, Board, accounting authority, CFO or Directors' report.

8.11 It was NOTED that the information in the accounting policy and the disclosure notes are often duplicated, and that most entities include generic accounting policies on going concern.

8.12 The recommendations from stakeholders were NOTED. Based on these proposals the Secretariat RECOMMENDED that:

- the impact of COVID-19 on the entity's going concern assessment should be included as a factor to be considered by management when assessing going concern as part of the Fact Sheet;
- the Fact Sheet should highlight that entities should not use generic accounting policies or descriptions on going concern, but that the information presented and disclosed should reflect the entity's circumstances; and
- recommendations should be made to the National Treasury to consider developing:
 - (a) requirements that enable management to assess an entity's financial health through indicators;
 - (b) specific financial ratios should be developed for other public sector entities, similar to those in Circular 71; and

- (c) guidance on the calculation of the liquidity and solvency ratios should be developed to ensure that entities use consistent information for these calculations.

8.13 The Technical Committee AGREED with the recommendations. It was AGREED that the Fact Sheet should also emphasise that management should not repeat information about going concern in their financial statements, but rather cross-reference information.

Secretariat

Information disclosed on material uncertainties

8.14 It was NOTED that a limited number of entities disclose information in their financial statements on material uncertainties. The recommendations from stakeholders were NOTED.

8.15 The Secretariat RECOMMENDED that the current disclosure requirements in GRAP 1 should be expanded to require more information about:

- (a) significant judgements applied by management in forming its conclusions on going concern; and
- (b) material uncertainties management is aware when assessing going concern.

8.16 It was NOTED that the local guidance from the AGSA's FAQ, the IFRS Foundation's education material and the disclosures developed by the New Zealand Accounting Standards Board for public benefit entities will be considered in developing the proposed disclosures.

8.17 The Technical Committee AGREED with these recommendations.

Secretariat

Liquidation basis of accounting

8.18 The local and international guidance on the liquidation basis of accounting were NOTED. It was AGREED that the impairment standards should also be considered.

8.19 It was NOTED that, from the review of the financial statements, none of the entities that were liquidated applied specific measurement requirements to assets and liabilities following a liquidation decision. It was NOTED that one entity included an explanation in a disclosure note indicating that all business functions, assets, liabilities and personnel of the entity will be transferred. Another entity's financial statements explained that it is inappropriate for the entity to prepare its financial statements on the going concern as it intends to cease its operations. This entity did not indicate the basis on which its financial statements were prepared.

8.20 Proposals from the stakeholders were NOTED. Based on these proposals, the Secretariat RECOMMENDED that guidance on the liquidation basis of accounting should not be developed at present. Instead, guidance should be included in GRAP 1 on:

- (a) the values to consider in measuring assets and liabilities based on the expected cash flows to be derived from a liquidation; and

(b) when these valuations should be considered.

This guidance will be derived from the requirements in FASB's Topic 205.

- 8.21 Some members disagreed with the inclusion of guidance in GRAP 1. They NOTED that Standards of GRAP only allow the going concern basis. It was NOTED that, by allowing entities to use another basis, they would no longer be able to assert compliance with Standards of GRAP. It was therefore AGREED that the proposed guidance should rather be included in the Fact Sheet.
- 8.22 It was also AGREED that the Fact Sheet should clarify that if an entity prepares its financial statements on a liquidation basis, it no longer applies the Standards of GRAP. Entities should also develop their own accounting policies.

Secretariat

Financial sustainability

8.23 The local and international guidance on financial sustainability was NOTED.

Guidance on the difference between going concern and financial sustainability

- 8.24 It was NOTED that during the engagements with the National Treasury and the AGSA, it became evident that a distinction needs to be made between going concern and financial sustainability. This view was also confirmed during the engagement with stakeholders.
- 8.25 It was NOTED that stakeholders had diverse views on the inclusion of definitions and explanatory guidance on going concern and financial sustainability in the Standards of GRAP. Some stakeholders supported the inclusion of a definition and explanatory guidance to clarify the difference between the concepts. Others noted that defining going concern and financial sustainability could be difficult, as there is no standard definition for these concepts in other literature, including the auditing standards.

Disclosures in the financial statements on financial sustainability

- 8.26 It was NOTED that some stakeholders were of the view that specific disclosures on financial sustainability, as it relates to going concern, should be presented in the financial statements. Others were of the view that information on financial sustainability should not be included in the financial statements, but elsewhere in the annual report.
- 8.27 The Secretariat RECOMMENDED that:
- (a) information on financial sustainability should not be presented in the financial statements as assessing financial sustainability is beyond the scope of preparing financial statements; and
 - (b) the need for guidance on information about an entities' sustainability and its overall financial health, should be shared with the National Treasury. The National Treasury could consider the development of guidance and requirements on financial sustainability as part of its annual reporting guidance.
- 8.28 The Technical Committee SUPPORTED the recommendations. It was NOTED that developing guidance in this area could be considered when the Board considers developing guidance on non-financial reporting matters.

8.29 It was NOTED that the recommendations from the Technical Committee will be discussed at the Board meeting. Based on the Board's agreed actions, the Secretariat will commence with the next phase of the project that involves the development of guidance in the areas agreed. A proposed Exposure Draft will be considered by the Technical Committee and Board at their first meeting in 2022.

REPORTING FRAMEWORK FOR 2022/23

- 9.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Reporting framework and amendments to Directive 5 on *Determining the GRAP Reporting Framework*.
 - Communication on status of IFRS Standards and IPSAS.
- 9.2 The Secretariat NOTED that the only change to the reporting framework from the prior year was the addition of IGRAP 21 on *The Effect of Past Decisions on Materiality*.
- 9.3 The Secretariat EXPLAINED that while the oldest appendices would continue to be deleted, the remaining appendices and their content would no longer be re-numbered.
- 9.4 The Secretariat INDICATED that in the past a communication was issued explaining the status of IPSAS and IFRS Standards not included in the appendices to Directive 5. The draft communication from the Secretariat was included for noting.
- 9.5 The Secretariat NOTED that the Minister of Finance published Gazettes outlining effective dates for the following pronouncements:
- Amendments to GRAP 1 on *Presentation of Financial Statements*.
 - Improvements to Standards of GRAP, 2020.
 - GRAP 104 on *Financial Instruments (2019)*.
- 9.6 The Secretariat EXPLAINED that the publication of these dates does not affect the proposed reporting framework for 2022/23.
- 9.7 A member QUESTIONED the reference to the FRSC in Directive 5. The member NOTED that the FRSC has not been constituted for a significant period of time. The Secretariat EXPLAINED that the FRSC is the body designated to issue IFRS locally for the private sector. The FRSC still exists in legislation, although not formally constituted.
- 9.8 The Technical Committee AGREED with the Secretariat's proposals. The proposed Reporting Framework was RECOMMENDED to the Board for its approval.

RESEARCH PAPER ON THE REVIEW OF DIRECTIVE 12

- 10.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Draft Research Paper.

- 10.2 The Technical Committee REVIEWED the draft report on the findings to the review of Directive 12 and RECOMMENDED it to the Board for approval.

Secretariat

PRELIMINARY DISCUSSIONS ON SOCIAL BENEFITS

- 11.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Proposed amendments to the project brief.
- 11.2 The Secretariat EXPLAINED the initial phase of the project and the assessment required by the Board on the approach to develop a Standard of GRAP on social benefits. The Secretariat NOTED the key points that the Board is required to consider as part of this assessment in the policy.
- 11.3 The Secretariat EXPLAINED the IPSAS expense landscape and key requirements of IPSAS 42.
- 11.4 The Secretariat NOTED the entities that potentially provide social benefits and their involvement in the project.
- 11.5 A member ASKED whether there could be provincial development agencies that may be impacted by the project, seeing as the National Development Agency has been included as a potential entity impacted the project. Although it was NOTED that the National Development Agency was found to not provide social benefits based on the Secretariat's initial assessment, it was AGREED that the Secretariat will assess whether provincial development agencies have different models.

Secretariat

- 11.6 The Secretariat PROVIDED an analysis of existing accounting practices and the legislative environment.
- 11.7 A member ASKED whether the National Health Insurance (NHI) may impact the project. The Secretariat AGREED that the potential impact of the NHI on the environment will be monitored during the project.

Secretariat

- 11.8 The Secretariat NOTED local stakeholder views on the scope and definition of IPSAS 42 on *Social Benefits*. The Secretariat NOTED two options that the Board could consider in developing a Standard of GRAP. The Secretariat PROPOSED option 2 – being that the definition of a social benefit in a Standard of GRAP include both cash and in-kind benefits, but the scope of such a Standard remain as cash benefits only.
- 11.9 Members NOTED that there may be unintended consequences with option 2 while the IPSAS expense landscape is still being finalised and the IPSASB was unable to develop requirements for cash and in-kind benefits. Members supporting option 2 NOTED that it is not necessary for the definitions and scope to be aligned. It was also NOTED that the guidance to be developed by

the Board on in-kind benefits could likely be around the classification of these benefits as they are generally settled through exchange transactions and entities do not have longer-term liabilities for them.

- 11.10 The Technical Committee SUPPORTED that option 2 should be proposed to the Board and SUGGESTED that the focus of the project should remain on cash benefits.

Secretariat

- 11.11 The Secretariat NOTED local stakeholder views on the recognition and measurement requirements of IPSAS 42. It was NOTED that the insurance approach may have limited application in the local environment based on an initial assessment by the Secretariat of entities that could potentially qualify to apply the approach. It was NOTED that the general approach, unmodified, may be inappropriate as the rule prescribing the past event for all schemes would not result in relevant and useful information for users in the local environment.

- 11.12 The Secretariat NOTED stakeholder feedback on other considerations in the Board's policy and that no major concerns were noted regarding capacity and resource constraints and other financial management reforms in the environment.

- 11.13 The Secretariat NOTED the following concluding proposals on an approach to develop a Standard of GRAP on social benefits:

- IPSAS 42 is used as a starting point to develop a Standard of GRAP.
- The definition of a social benefit is broadened to include in-kind benefits, but the scope of the Standard will be limited to cash benefits.
- The insurance approach is eliminated.
- The general approach is modified based on the principles in the Conceptual Framework and existing Standards of GRAP, specifically the recognition and measurement requirements of the liability.
- The potential impact of the funding mechanism of a scheme on its liability is considered.
- Consider if some information could potentially be provided outside the financial statements.
- The presentation and disclosure requirements are developed based on the recognition and measurement requirements. These may therefore also depart from IPSAS 42.

- 11.14 The Technical Committee RECOMMENDED the proposals to the Board for approval.

Secretariat

- 11.15 The Secretariat NOTED proposed amendments to the project brief as a result of the initial work done on the project.

- 11.16 The Technical Committee RECOMMENDED the changes to the Board for approval.

Secretariat

EMERGING ISSUES

Application and implementation of the Standards of GRAP

12.1 The Secretariat TABLED a memorandum at the meeting outlining a number of emerging issues.

SARS

12.2 The Secretariat DISCUSSED the exemption granted to SARS from the application of Standards of GRAP for a period of five years.

12.3 It was NOTED that SARS requested an “evergreen” exemption as progress towards implementing Standards of GRAP would depend on available resources. The representative of the National Treasury INDICATED that open-ended exemptions cannot be granted. The five-year period was granted to be consistent with the five-year period granted to entities applying the Modified Cash Standard (MCS).

12.4 Members QUESTIONED whether there is a plan in place to measure compliance over the five-year period. It was NOTED that a plan does exist, and it will be monitored.

12.5 The representative from the National Treasury INDICATED that it might be useful to continue with the quarterly trilateral discussions with SARS to discuss their progress. The Secretariat NOTED that quarterly may be too frequent.

12.6 A member QUESTIONED whether any changes were needed to Directive 6. It was AGREED that the exemption supersedes the Standards of GRAP. The transitional period ends on 31 March 2021. The five-year exemption period will become effective once the transitional period in Directive 6 expires.

12.7 Members NOTED that SARS will continue to apply the MCS. Disclosure may be needed to explain the exemption, and SARS will need to consider whether this affects fair presentation. The National Treasury will raise the issue with SARS and the auditors.

Entity #1

12.8 The Secretariat NOTED that it issued the response to the entity on the 23rd of August 2021. No further communication was received from the entity.

12.9 The representative of the National Treasury INDICATED that they drafted a response, but it has not been sent. Consideration is being given to the potential impact of their response and the timing of the audit completion.

Entity #2

12.10 The Secretariat INDICATED that a response was provided to the entity regarding the interpretation of related party transactions in the public sector. An acknowledgement was received from the entity.

12.11 It was NOTED that it appears as if the issue has been resolved.

GRAP 104 Reference Group

12.12 The Secretariat NOTED that the last meeting was productive and dealt with (a) the scope and definition of financial instruments, and (b) the group’s preliminary work programme.

- 12.13 The Secretariat NOTED that donor funding available through the National Treasury was meant to have been made available to appoint a technical expert to assist with certain topics on the work programme. The process to contract a person was not completed by the National Treasury. As a result, the funding was withdrawn.
- 12.14 The representative from the National Treasury INDICATED that discussions had been held internally to see if other funding could be made available. If made available, a person could be made available to the ASB to support the project as early as October 2021, but it could only be for a period of 5 months.
- 12.15 As the project is currently planned to span 5 years, the Secretariat SUGGESTED that a motivation be made to the National Treasury to retain (part or all of) the surplus from the 31 March 2021 reporting period.
- 12.16 The Technical Committee SUPPORTED this proposal.

Communication to the Minister

- 12.17 The Secretariat PROVIDED background to the proposed submission to the Minister of Finance. It was NOTED that the Secretariat was of the view that the time is right to highlight to the Minister the need for accrual accounting across government. The existence of credible accrual-based information could assist policy development and implementation.
- 12.18 The Technical Committee SUPPORTED the letter to the Minister. The following changes were AGREED:
- The last paragraph should be redrafted to position the request to meet in the context of the exemptions granted to SARS and entities applying the MCS.
 - The discussion on the MCS should be modified to indicate that some of the information on an accrual basis is available, but that it is not necessarily all presented in a single statement.

Secretariat

Research agenda

- 12.19 The Secretariat TABLED a memorandum at the meeting outlining its discussions to date on initiating a research agenda. The memorandum suggested pursuing three aspects of research, i.e., articles, industry research, and post-graduate research. The initial proposal was to establish a group of academics to assist with the research agenda. This would include developing a terms of reference for the group, developing a work programme and identifying topics for potential research.
- 12.20 The Technical Committee SUPPORTED the proposal. Members OBSERVED the following:
- The initiative would assist the ASB to provide empirical evidence that Standards of GRAP provide information that it useful and relevant to a number of decisions.
 - At present, the APP only includes output indicators. The research may enable the ASB to demonstrate the impacts that have been achieved.

ADMINISTRATION

WORK PROGRAMME AND MONITORING PERFORMANCE

- 13.1 The Secretariat TABLED the updated work programme and projected performance for the second quarter.
- 13.2 The Secretariat NOTED that no changes were made to the work programme since the last meeting other than to reflect the status of projects discussed in March 2021.

WORK PROGRAMME 2022/23

- 14.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Review of GRAP 109 on *Accounting by Principals and Agents*.
 - Public Sector Combinations.
 - Improvements Project.
 - IFRIC 22 on *Foreign Currency Transactions and Advance Consideration*.
- 14.2 The Technical Committee RECOMMENDED the project briefs to the Board for approval.
- 14.3 The Secretariat EXPLAINED that at the last meeting, concerns were raised about the time spent on the IPSASB's activities. It was agreed that consideration should be given to how the time could be reduced.
- 14.4 The Secretariat NOTED that because the Secretariat supports the South African member, a certain amount of time will need to be spent on all the IPSASB's projects. The Secretariat PROPOSED that in future, comment letters would only be provided on relevant projects agreed with the Board. This would significantly reduce the Secretariat's time as it would not need to issue a Concurrent Exposure Draft (CED) or consult on the CED, and local stakeholders' time would be saved for key projects. In future, the Technical Director would make proposals to the Board about the comment letters that need to be provided.
- 14.5 The Technical Committee SUPPORTED the proposal.
- 14.6 The indicative work programme and targets were TABLED at the meeting. The Technical Committee SUPPORTED the proposed targets and work programme.

WORK PROGRAMME CONSULTATION FOR 2024 TO 2026

- 15.1 The Secretariat EXPLAINED that because of the planning timeframes in government, work needed to commence on the work programme for 2024 to 2026.
- 15.2 The Secretariat OUTLINED the process to develop the consultation document. The matters previously identified by the Board as possible topics for 2024-2026 were discussed. The Secretariat's proposals outlined in the Annexure to the memorandum were supported.

- 15.3 Based on the discussions on research, the Secretariat ASKED whether any information should be included in the Exposure Draft on potential research topics. The Technical Committee AGREED that it is premature to include anything on research at present.
- 15.4 The Technical Committee RECOMMENDED the proposed Exposure Draft to the Board for its approval. The proposed comment deadline of mid-March 2022 was SUPPORTED.

REVIEW OF TECHNICAL POLICIES

- 16.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Post-implementation Reviews
 - Use of Official Languages
 - Re-exposure of Proposed Pronouncements Issued for Comment
 - Approving Effective Dates of Standards
 - Selection and Approval of Projects
 - Nature of Pronouncements to be Developed
 - Terms of Reference of the Technical Committee
 - Setting Performance Targets and Measuring Progress
 - Improvements to the Standards of GRAP
 - Naming and Numbering Conventions
 - Responses to Queries
 - Development of FAQs
 - Desktop Reviews
- 16.2 The Technical Committee DEBATED whether the policies should be reviewed every year. Members AGREED that the standard-setting policies should be included in the Due Process Handbook. The operational policies should be reviewed every three years, and the Due Process Handbook should be reviewed more frequently.
- 16.2 Due to the decision on the standard-setting policies, the draft Due Process Handbook should be revised before being considered by the Board.
- 16.3 Given the extent of the revisions required, it was AGREED that the draft Handbook should not be tabled at the next Board meeting. Instead, the revised draft Handbook should be considered by the Technical Committee and Board in the next quarter.

Secretariat

- 16.4 Members REVIEWED the amendments to the policies. The following comments were NOTED:
- The new policy on desktop reviews: Delete the paragraph that refers to the timing of desktop reviews, i.e., that they are not done when changes are

planned to the pronouncement. Members were of the view that the results of the desktop review could sometimes be a helpful input into the revision process.

- Nature of pronouncements – Post-implementation reviews and the work programme consultation should not be included in the “Exposure Draft” category. These consultations should be in the same category as “Discussion Papers”. Members DISCUSSED if Requests for Information (RFIs) should be included. It was AGREED that the Secretariat is close enough to its stakeholders, so these outreach documents may not be necessary.
- Use of official languages – It was AGREED that the policy would be reviewed, and proposals made to the Board after discussion with PANSALB on the effectiveness of the translations.

Secretariat

Due Process Handbook

16.5 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Draft Due Process Handbook
- Draft Invitation to Comment

16.6 Subject to the instruction to revise the draft Handbook to include the technical policies, the Technical Committee AGREED in principle with the draft Due Process Handbook.

16.7 The Technical Committee REVIEWED the draft Handbook, and agreed to the following amendments:

- Paragraph 3.3 – amend the transparency principle.
- Paragraph 3.12 – rename the consultation documents for the work programme and post-implementation review, and make appropriate amendments to Phase I and Phase II.
- Paragraph 4.19 – reword paragraph (e) so it is clear that it is referring to amendments in the South African Standard.
- Paragraph 4.22 – clarify that it is significant/material departures.
- Paragraph 6.19 – clarify that the Board consults with stakeholders throughout the standard-setting process.
- Paragraph 6.30 – clarify that ex-officio Board members have no voting rights.
- Paragraph 6.43 – explain who are the trilateral parties.

16.8 Members QUESTIONED the need for a policy on the development of Fact Sheets. The Secretariat EXPLAINED that Fact Sheets are relatively new publications and that the Board should deal with their development on a case-by-case basis and assess their usage before developing a policy.

INTERNATIONAL STANDARD-SETTING ACTIVITIES

17. The Technical Committee NOTED the IPSASB's discussions in July 2021 on the development of the Consultation Paper on *Natural Resources* and the initial review of responses on ED 75, *Leases*.

CLOSING REMARKS

Members were THANKED for their participation in the meeting. The meeting was ADJOURNED at 16:00.

Prepared by:	J Poggiolini	8 September 2021
Reviewed by:	A van der Burgh	8 September 2021
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