



PROJECT BRIEF FOR APPROVAL				
Name of project	Desktop review of compliance with GRAP 20 on <i>Related Party Disclosures</i>			
Project timeframe	Present results of the review in Quarter 1 of 2024/25			
Project manager	S Nondlazi			
Complexity of project	The project is moderate in complexity. It will require a review of entities' compliance with the identification and disclosure requirements in GRAP 20 on <i>Related Party Disclosures</i> .			
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 assess:</p> <ul style="list-style-type: none"> <li>Compliance with the requirements of GRAP 20 on <i>Related Party Disclosures</i>.</li> <li>Practice applied by preparers in presenting <i>Related Party Disclosures</i>.</li> </ul> <p>The review is primarily a desktop review, but interactions may be needed with stakeholders to discuss findings.</p>			
Key issues that need to be addressed as part of this project	<p><i>Scope of review</i></p> <p><u>Entities included in the review</u></p> <p>All entities that use the Standards of GRAP to prepare their financial statements.</p> <p><u>Requirements to be reviewed</u></p> <p>Compliance with the requirements in GRAP 20 on the disclosure of related parties will be included in the review. Given the nature of the review, it is not possible to review compliance with requirements where the information is not apparent in, or cannot be derived from, the financial statements.</p> <p>However, stakeholder engagements will be held to assess practice applied in complying with GRAP 20, including the identification of related party relationships.</p>			



	<p><u>Sources to be considered in the review</u></p> <ul style="list-style-type: none"> <li>• The latest available audited financial statements.</li> <li>• The AGSA’s PFMA and MFMA General Reports.</li> <li>• Queries responded to by the Secretariat.</li> <li>• Matters discussed at the Public Sector Accounting Forum (PSAF).</li> <li>• Queries raised by auditors with the Technical Audit Support (TAS) unit of the AGSA.</li> <li>• Issues raised by stakeholders with the Office of the Accountant General (OAG).</li> </ul>
	<p><i>Nature of output to be developed</i></p> <p>The initial output is the presentation of the findings to the Technical Committee and Board. Past practice has indicated that a Review Report is usually prepared to outline the findings of the review and the Board’s actions (if any).</p> <p>The findings from this review will assist the Board in assessing whether changes to the Standard are required, whether guidance is required, and/or whether awareness should be raised about specific issues through communication and other activities.</p>
	<p><i>Previous deliberations by the Board on GRAP 20 Related Party Disclosures</i></p> <p>The Board has not previously discussed any matters related to the <i>Related Party Disclosures</i>.</p>
	<p><i>Guidance developed by the Secretariat in response to issues raised by stakeholders</i></p> <p>FAQ 4.3 was developed to address queries raised by stakeholders on whether municipalities should disclose the councillors’ remuneration on an individual basis or in aggregate.</p> <p>FAQ 4.14 was developed in response to stakeholders’ questions on the interaction between legislated disclosure requirements and the disclosure requirements in Standards of GRAP.</p> <p>FAQ 4.15 addresses questions raised by stakeholders on the interaction of Standards of GRAP where two or more Standards have similar requirements.</p>



*Key issues to be considered*

While the objective is to assess compliance with all GRAP 20 disclosure requirements, areas that warrant specific review have been identified. These include the following:

- The application of the definition of *Related Party Disclosures*. Entities may include items in *Related Party Disclosures* that do not meet the definition, or vice versa.
- Disclosure of related party relationships between entities in the National and Provincial spheres of government respectively (list of entities vs describing the relationships).
- Omitted qualitative disclosure of e.g., the terms and conditions of outstanding balances, including commitments with *Related Party Disclosures*; whether they are secured, and the nature of the consideration to be provided in settlement.
- The non-disclosure of the amount of the transactions with *Related Party Disclosures*.
- The omission of *Related Party Disclosures* in their entirety, in circumstances where related party transactions are expected based on the other information contained in the financial statements or based on knowledge of the public sector e.g., services in kind that can be reliably measured.
- The disclosure requirements prescribed for management remuneration, particularly the disclosure of councillors' remuneration on an individual or aggregate basis.
- The impact of materiality (qualitative and quantitative) considerations on the presentation and disclosure of related parties.

<b>Environment</b>	
<b>Legislation or regulatory requirements affecting the project</b>	Legislation that requires disclosure of related parties and their transactions e.g., Companies Act and MFMA require disclosure of management remuneration.
<b>Existing accounting guidance in the Standards of GRAP, IPSASs or IFRSs</b>	GRAP 20 on <i>Related Party Disclosures</i> , IPSAS 20 on <i>Related Party Disclosures</i> , and IAS 24 on <i>Related Party Disclosures</i> .
<b>Practices in other countries</b>	Not relevant for initial review. Reviewing practices in other countries may be necessary if specific practices are identified.
<b>Use of experts</b>	Not applicable.



<b>Stakeholders</b>	
<b>Entities in the public sector affected by this project</b>	<p><u>For desktop review</u></p> <p>All entities that prepare their financial statements using the Standards of GRAP.</p> <p><u>To discuss findings</u></p> <p>Users such as the National Treasury and Provincial Treasuries mandated to manage and coordinate intergovernmental financial relations may find the review results useful.</p>
<b>Key stakeholders to be consulted during the development of the project</b>	<p>Stakeholder input and/or consultation is anticipated to provide context to the desktop review findings.</p> <p>Stakeholder participation will primarily include preparers, auditors, and other interested parties.</p> <p><u>Preparers</u></p> <p>A representative group of preparers from public entities, local government, Parliament, legislatures, and colleges.</p> <p>Consultants involved in the preparation of financial statements on behalf of these entities.</p> <p>National Treasury: Office of the Accountant-General and provincial treasuries (in their capacity as supporting the implementation of the Standards).</p> <p><u>Auditors</u></p> <p>Audit firms (specifically technical divisions).</p> <p>A representative group of auditors from the AGSA (specifically Technical Audit Support and where necessary, product champions).</p> <p><u>Representatives of auditors and accountants</u></p> <p>Professional bodies (SAICA, CIGFARO, SAIPA and SAIGA).</p> <p>SALGA.</p> <p><u>Users</u></p> <p>It may be necessary to consult with users of the financial statements to provide context to the findings. Specific users may need to be identified depending on the review findings.</p> <p>Round table discussion may be held with National Treasury - Public Finance and Budget, and Intergovernmental Relations (local government budget and mSCOA team) and provincial Treasuries.</p>



<b>Key stakeholders to be consulted as part of the <u>public consultation</u> process</b>	No public consultation process is planned for the review.
<b><i>Linkages</i></b>	
<b>ASB projects</b>	None.
<b>IPSASB projects</b>	None.
<b>IASB projects</b>	None.
<b>Local Reforms in public financial management</b>	None.
<b><i>Project Plan</i></b>	
<b>Key milestones and timing</b>	See Annexure A for the roadmap.



**Annexure – A road map for review of the *Related Party Disclosures***

Milestone		Timing	Stakeholder	Linkages
1.	<b>Results of review and confirm next steps</b>	Q1 2025 [April to June 2024]	Presented to: - Internal Review - Technical Committee - Board	None.
2.	<b>Review Report and take the next steps in the project (if any)</b>	Q3 2025 [October to December 2024]	Presented to: - Internal Review - Technical Committee - Board	None.



<b>Document management</b>		
<b>Prepared by:</b>	<b>S Nondlazi</b>	<b>7 July 2023</b>
<b>Revised by:</b>		
<b>Approved by:</b>		