



240 Madiba Street  
Pretoria  
0002  
Tel. 011 697 0660  
Fax. 011 697 0666  
www.asb.co.za

## **MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 22 FEBRUARY 2024**

### **ATTENDANCE**

#### **MEMBERS OF THE COMMITTEE**

##### **BOARD REPRESENTATIVES**

D Dlamini [Chair]

A van der Burgh [Deputy-chair] (away from 9:30 to 10:30)

C Braxton

##### **REPRESENTATIVE OF THE AGSA**

M Mentz

##### **REPRESENTATIVE OF THE ASB**

J Poggiolini

##### **OBSERVER**

W de Jager (from 10:20)

##### **EX OFFICIO**

A Botha Project Manager

N Imam-Shah Project Manager

S Nondlazi Project Manager

E van der Westhuizen Head of Technical

Board Members: Ms P Moalusi (Chair), Mr A van der Burgh (Deputy Chair), Mr C Braxton, Ms W de Jager, Mr D Dlamini, Mr S Khan, Ms A Muller, Ms N Themba  
Chief Executive Officer: Ms J Poggiolini

**1. WELCOME AND APOLOGIES**

Members were WELCOMED to the meeting. An apology was NOTED from L Bodewig.

**2. CONFIRMATION OF THE AGENDA**

The agenda was CONFIRMED.

**3. DECLARATIONS OF INTERESTS**

Members were ASKED to indicate if they had interests to declare. Mr C Braxton INDICATED a standing declaration that he is a staff member of the IPSASB.

**4. MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting were TABLED and APPROVED with the following amendments:

- Align the numbering of paragraph 6.16.
- Change paragraph 6.17 to “amendments”.

**Secretariat**

**5. MATTERS ARISING**

The Secretariat TABLED a memorandum on the matters arising from previous meetings. The matters were NOTED.

**6. TECHNICAL MATTERS**

***REVIEW OF RESULTS OF THE POST-IMPLEMENTATION REVIEW OF GRAP 109 ON ACCOUNTING BY PRINCIPALS AND AGENTS***

6.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Summary of proposed responses to comment received
- Analysis of verbal comments received
- Analysis of written comments received
- Minutes of the project group meetings held on 30 and 31 January 2024

6.2 The Secretariat NOTED the background to the project and the purpose of the discussion. The project group meetings held were NOTED, and that the project group members supported the proposals.

6.3 The Secretariat EXPLAINED how it raised awareness of ED 200 and INDICATED that all the stakeholders identified in the project brief had sufficient opportunity to participate in the due process.

6.4 The Secretariat EXPLAINED the process followed to develop proposed responses to the comment received on ED 200. It was NOTED that the criteria applied to determine appropriate responses will be incorporated in the Due Process Handbook/Procedure Manual.

6.5 Members RECOMMENDED that the criterion “existing non-authoritative guidance in the Standard needs to be amended to align with principles” (indicating amendments to the

Standard) should also include instances where new non-authoritative guidance may be needed.

**Secretariat**

### ***Application of materiality***

- 6.6 The Secretariat EXPLAINED the issues identified related to the application of materiality, and the proposed actions to address the issues.
- 6.7 Members RECOMMENDED the proposals to address issues with materiality to the Board. Members SUGGESTED the following for consideration:
- It is concerning that stakeholders may interpret certain thresholds in the Standards as similar to materiality, such as “significant”, “substantive”, etc. Explaining the differences could be a topic to consider for the Enhancing the Application of Standards of GRAP project.
  - Any actions that can be taken before the proposed project on the ASB’s work programme should be considered. For example, FAQs that can be developed based on existing principles.
  - As entities often have differences with auditors about materiality, this should be discussed at the trilateral meeting.

**Secretariat**

- 6.8 Members AGREED with stakeholders that noted that it is difficult to provide narrative information about immaterial principal-agent arrangements in aggregate, as required by GRAP 109. A member ASKED if this implies that all arrangements should be presented and disclosed, and QUESTIONED whether this is contrary to GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*. The Secretariat EXPLAINED that entities may not omit immaterial transactions or events from the financial statements but may develop alternative accounting treatments for them in accordance with GRAP 3.
- 6.9 A member ASKED whether the Secretariat would do further work to understand the issues with materiality when undertaking the proposed future project. The Secretariat CONFIRMED that the proposed project will include research to understand how the environment may have changed since the Materiality Guideline was issued, and this will include work to understand the issues that exist at that point.

### ***Identifying principal-agent arrangements***

- 6.10 The Secretariat EXPLAINED the issues related to the identification of principal-agent arrangements, and the proposed actions to address the issues. The Secretariat further EXPLAINED why it is not proposing to change the definition of principal-agent arrangements to include that the agent should legally bind the principal in transactions with third parties.
- 6.11 Members AGREED that the identification of principal-agent arrangements is the key issue with applying GRAP 109 and that the proposed actions are correctly focussed in this area. It was NOTED that the incorrect identification of the nature of an arrangement could have significant consequences for the financial statements and VAT. Members CONFIRMED that the assessment can be difficult in practice and that the contracts are often written by attorneys using “legal language”. Substance over form remains difficult

to apply, especially when court cases are involved. Other issues, such as distinguishing principal-agent arrangements from service provider arrangements, were also CONFIRMED. It was NOTED that similar issues exist in the private sector.

6.12 Members RECOMMENDED the proposed actions to address the issues to the Board and SUPPORTED that the definition of principal-agent arrangements should not be changed. It was NOTED that principal-agent arrangements are governed by common law and the concept of the agent representing the interests of the principal is already explained in GRAP 109.

**Secretariat**

6.13 Members RECOMMENDED that the following further actions should be considered:

- Add an example to illustrate that an agent receives specific direction from the principal and represents the interests of the principal in transactions with third parties.
- Legal literature can be considered when adding guidance on the rights and obligations of the principal and agent respectively (law of agency).

**Secretariat**

6.14 A member ASKED if the clarification on the interaction of the control criteria in GRAP 35 on *Consolidated Financial Statements* and principal-agent arrangements should be provided in the Standard itself, instead of only in an FAQ. The Secretariat CLARIFIED that the proposed amendment to the core text is to clarify that the level of assessment of principal-agent arrangements is for each transaction, and not at the entity level (where control relationships exist).

6.15 A member ASKED for clarity on the proposal to communicate to the AGSA that entities who are counterparties to an arrangement may not necessarily come to the same conclusion about the nature of the arrangement. They also ASKED if this was identified as an issue where one entity applies Standards of GRAP while another applies the Modified Cash Standard (MCS). The Secretariat RESPONDED that the issue was mostly raised where entities apply different reporting frameworks (departments and municipalities). However, the MCS chapter on principal-agent arrangements is similar to GRAP 109. The Secretariat EXPLAINED that stakeholders noted that each entity should make their own assessment of the nature of their arrangements and should not be compelled to conclude in a similar manner to a counterparty to an arrangement.

6.16 A member ASKED whether there is a definition of principal-agent arrangements in the VAT Act. The Secretariat CLARIFIED that it is not a definition but a description.

***Disclosure of principal-agent arrangements in financial statements***

6.17 The Secretariat EXPLAINED the issues related to the information on principal-agent arrangements provided in the financial statements, and the proposed actions to address the issues.

6.18 Members RECOMMENDED the proposed actions to the Board.

**Secretariat**

### **Other issues**

6.19 The Secretariat EXPLAINED the other issues identified from the review and the proposed actions to address the issues.

6.20 Members RECOMMENDED the proposed actions to address the issues to the Board, and ADDED the following for consideration:

- Issue 1 and 1A on binding arrangements: IPSAS 47 on *Revenue* and IPSAS 48 on *Transfer Expenses* include extensive guidance on binding arrangements. The guidance may be useful in resolving the issues locally.
- Issue 12 on criteria to assess which party is the agent: relocating the guidance on the rights and obligations parties have in the arrangement may resolve some of the complexity in the text that describes the party that is the agent.

**Secretariat**

### **Next steps**

6.21 The Secretariat NOTED the next step is for the Board to consider the results of the review. It was NOTED that there is a delay in the process to appoint new Board members and the next meeting may be in April 2024 and not in March. A member ASKED about the timing of amending GRAP 109. The Secretariat NOTED that an Exposure Draft (ED) is planned for the Board's approval in March 2025.

### **INVITATION TO COMMENT ON PROPOSED AMENDMENTS TO DIRECTIVE 5 ON DETERMINING THE GRAP REPORTING FRAMEWORK**

6.22 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed Invitation to Comment on *Proposed Amendments to Directive 5 on Determining the GRAP Reporting Framework*

6.23 The Secretariat EXPLAINED the background to the ED and NOTED the purpose of the ED is to outline the proposed changes to Directive 5 and to seek comment from stakeholders on whether the proposed amendments clarify the existing principles in Directive 5.

6.24 A member SUGGESTED incorporating the diagram in Appendix A of the memorandum into Directive 5 and explaining the distinction between new Standards and amendments to existing Standards. The clarification should state that a Standard is new when there is no existing guidance on the transaction or event. This will clarify that even when a revised Standard has a different number or is substantially new guidance, the revision is an amendment to existing Standards as guidance exists on the transaction or event. Members RECOMMENDED amending Appendix A to refer to "continue with existing Standards of GRAP as per Directive 5" rather than "continue with existing policies".

**Secretariat**

6.25 Members SUPPORTED this clarification and emphasised the need to ensure stakeholders understand the distinction. Members SUGGESTED adding definitions in

the Directive for "new Standards of GRAP" and "amendments to Standards of GRAP" to explain the difference.

**Secretariat**

***Proposed Invitation to Comment on Proposed Amendments to Directive 5 on Determining the GRAP Reporting Framework***

6.26 The Secretariat NOTED that a shorter consultation period of two months will be followed for this ED.

6.27 Members SUGGESTED positively rephrasing paragraph .05A instead of using a double negative. Members AGREED that although double negatives are often avoided, paragraph .05A should not be amended as the principle in the paragraph is clear and rephrasing it might confuse stakeholders.

6.28 Members SUGGESTED the following relating to the paragraphs in the Directive:

- Adding "or develop in accordance with GRAP 3" to paragraph .05A.
- Specifying in paragraph .08 that entities can only use Standards issued by other standard setters to the extent permitted by the Directive.
- Ensuring that the requirement in paragraph .11 - that the entire Standard should be adopted early (when applicable) – applies to both new Standards and amendments to Standards.
- Removing "only" in paragraph .11A. This is to address concerns that to state entities are "only permitted" to develop accounting policies under certain circumstances may be misunderstood. The concept "develop accounting policies" is also understood by entities to include developing policies based on Standards of GRAP. Members NOTED the addition of definitions as proposed will provide clarity on the issue.

**Secretariat**

6.29 Members SUGGESTED the following relating to the basis for conclusions in the Directive:

- Reconsidering the placement of paragraph BC7. as it is not specific to the 2025/2026 reporting framework.
- Placing paragraph BC9., which deals with exclusions, towards the end of the basis for conclusions for 2025/2026.
- Adding an explanation in the basis for conclusions for distinguishing new Standards and amendments to Standards where existing guidance exists.

**Secretariat**

6.30 Members REQUESTED consistency between the background section, the Appendix in the memorandum, and paragraphs of the Directive, specifically concerning the principles relating to the development of accounting policies.

**Secretariat**

6.31 The Technical Committee CONFIRMED the comment deadline date of June 2024. Members NOTED that the deadline date may change depending on whether a new Board is appointed by 1 March 2024.

**Next steps**

6.32 The Technical Committee REVIEWED the ED on a page-by-page basis and RECOMMENDED it to the Board for approval.

**Secretariat**

**ENHANCING THE APPLICATION OF STANDARDS OF GRAP - 2024/25 WORKPLAN**

6.33 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed workplan 2024/25

6.34 The Secretariat EXPLAINED the process followed to develop the proposed 2024/25 workplan for the project on Enhancing the Application of Standards of GRAP.

6.35 Members RECOMMENDED the plan to the Board with the following considerations:

- Move some of the urgent topics from quarter 3 to quarter 1.
- Add a topic on “GRAP thresholds” such as “significant”, “substantial”, “probable”, etc. The recording can explain differences in these thresholds and considerations when developing them.

**Secretariat**

6.36 A member NOTED the reference to GRAP 20 in Appendix A to the memo should be GRAP 18.

**Secretariat**

6.37 A member ASKED how stakeholders received the content on YouTube, and whether the Secretariat explored other platforms such as TikTok. It was NOTED that other platforms could be considered to post short promotional material about projects and other ASB activities. The Secretariat NOTED that YouTube has been well received by stakeholders, but that it is necessary to raise further awareness of the project and related content. It was AGREED that the Secretariat will consider whether other platforms could be useful and develop short promotional videos. A member SUGGESTED that the Secretariat uses bookmarks in a recording when it is not possible to shorten a video or split it into more than one recording.

**Secretariat**

**7. EMERGING ISSUES**

7.1 The Secretariat TABLED a memorandum at the meeting.

7.2 It was NOTED that the exemption from applying Standards of GRAP to Trans-Caledon Tunnel Authority (TCTA) was Gazetted on 9 February 2024.

**Secretariat**

## **8. ADMINISTRATION**

### ***WORK PROGRAMME AND PROJECTED PERFORMANCE 2023/24***

8.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Work programme for 2023/24.
- Monitoring convergence with the IPSASB.

#### *Work programme 2023/24*

8.2 The Secretariat PROVIDED feedback on the progress of the technical projects, and the Secretariat's involvement in the IPSASB's projects. The Secretariat NOTED the following updates from the memorandum:

- The comment letter on the IPSASB Strategy and Work Program Consultation 2024 to 2028 was submitted.
- The IPSASB ED on non-authoritative material on leases, with consequential amendments to IPSAS 47, will be developed for approval in June 2024.

8.3 Members SUPPORTED the Secretariat's proposed approach for the IPSASB EDs on mining activities (ED 86 and ED 87). A member RECOMMENDED that the feedback from IFRS entities applying the equivalent IFRS guidance should be filtered so that public sector differences are communicated to the IPSASB.

**Secretariat**

#### *Composition of the Technical Committee*

8.4 The Secretariat ASKED whether the Technical Committee has any recommendations for the new Technical Committee affecting their composition for the July 2024 meeting. Members RECOMMENDED that the new Technical Committee consider co-opting existing members for the July meeting to help with consistency and continuity, especially with regards to the approval of the Standard of GRAP on *Social Benefits*. It was AGREED that this can be reconsidered once the new Technical Committee has been appointed.

**Secretariat**

#### *Projected performance for the quarter and year ending 31 March 2024*

8.5 The Secretariat NOTED that should the new Board not be appointed in time to meet in March 2024, the ASB will not meet the target related to tabling the results of the GRAP 109 post-implementation review.

## **9. INTERNATIONAL STANDARD-SETTING ACTIVITIES**

9.1 The Secretariat and IPSASB Board member PROVIDED feedback from the December 2023 meeting.

9.2 The Secretariat's involvement in IPSASB EDs was NOTED, as well as the comment letters submitted to the IPSASB in the quarter.



**10. GENERAL**

10.1 The Secretariat and Chair THANKED all members for their valuable contributions during their terms.

**11. FUTURE MEETINGS**

It was NOTED that the next meeting is scheduled for 4 July 2024.

**12. CLOSING**

Members were THANKED for their participation in the meeting. The meeting was CLOSED at 12:45.

<b>Prepared by:</b>	<b>E van der Westhuizen</b>	<b>29 February 2024</b>
<b>Reviewed by:</b>	<b>D Dlamini</b>	<b>13 March 2024</b>
<b>Issued:</b>	<b>XX 2024</b>	