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## **MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 4 JULY 2024**

### **ATTENDANCE**

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

##### **BOARD REPRESENTATIVES**

A Carstens

S Gcwabe

A Hardien

L Senne

R Small

A van der Burgh

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

M Mentz

##### **REPRESENTATIVE OF THE OAG**

L Bodewig

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

J Poggiolini

##### **OBSERVER**

F Salie

##### **EX OFFICIO**

A Botha	Project Manager
N Imam-Shah	Project Manager
S Nondlazi	Project Manager
E van der Westhuizen	Head of Technical

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,  
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Ms L Senne, Prof R Small,  
Chief Executive Officer: Mrs J Poggiolini

**1. WELCOME AND APOLOGIES**

Members were WELCOMED to the meeting. An apology was NOTED from W de Jager as an observer.

**2. CONFIRMATION OF THE AGENDA**

The agenda was CONFIRMED.

**3. DECLARATIONS OF INTERESTS**

Members were ASKED to indicate if they had interests to declare. No declarations other than members' standing declarations were noted.

**4. APPOINTMENT OF THE CHAIRPERSON**

Members APPOINTED S Gcwabe as the Chairperson.

**Secretariat**

**5. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 22 February 2024 were TABLED and APPROVED.

**Secretariat**

**6. MATTERS ARISING**

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

6.2 A member ASKED whether ED 205 on *Social Benefits* considered the appropriate accounting treatment for contribution revenue received to fund social benefits, in particular social security insurance benefits. The Secretariat NOTED that the Board considered whether the ED should provide guidance on revenue, and concluded that the Standard should only provide guidance on the liability, unlike IFRS 17 on *Insurance Contracts*. The Board further concluded any contributions would meet the definition of non-exchange revenue and should be accounted for in accordance with GRAP 23 on *Revenue from Non-exchange Revenue (Taxes and Transfers)*. It was AGREED that this should be captured in the basis for conclusions of ED 205 and the Secretariat should consider whether other guidance may be necessary, such as a Frequently Asked Question (FAQ).

**Secretariat**

6.3 Members RECOMMENDED that the proposed project for the 2027 to 2029 work programme on materiality considers the topic from the perspective of preparers, users and assurance providers, ensuring that issues are assessed holistically. It was NOTED that the IPSASB will likely commence a project on materiality towards the end of the year.

**Secretariat**

## 7. TECHNICAL MATTERS

### **REVIEW OF RESULTS OF THE DESKTOP REVIEW OF GRAP 20 ON RELATED PARTY DISCLOSURES**

7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat

7.2 The Secretariat PRESENTED the issues, and root causes identified during the desktop review and NOTED the proposed ways forward to the Technical Committee.

7.3 Members NOTED the issues and root causes and SUGGESTED the following:

- The proposed FAQ addressing issue one, *Identification of management as related parties* should highlight the objective of the Standard and emphasize the importance of applying the definition of a related party while also providing examples to address the specific scenarios raised by stakeholders. The FAQ should highlight that who is considered as "management" may differ between organisations depending on the governance arrangements.
- The proposed way forward to address issue one, *Identification of management as related parties* should include reassessing the inclusion of audit and risk committee members as potential related parties in example 1 of GRAP 20.
- The proposed way forward to address issue two, *Identification of entities under common control as related parties* should clarify the relationships between the three spheres of government. It should illustrate the structure of government, differentiating between entities with control or significant influence and those that are purely administrative structures.
- The proposed way forward to address issue three, *Inconsistent disclosure of councillors' remuneration* should include adding guidance in FAQ 4.3 on *Should a municipality disclose the councillors' remuneration on an individual basis or in aggregate?* to distinguish between a ward councillor and proportional representative councillors.
- The proposed FAQ to address issue five, *Goods in kind provided to related parties* should reference GRAP 25 on *Employee Benefits* and incorporate principles from FAQ 4.15 on *What is the interaction of Standards of GRAP where two or more Standards have similar requirements?*
- The materiality project proposed to address issue six, *Materiality not considered in the application of the Standards* should include guidance on developing accounting policies.
- Update the root cause for issue 6, *Materiality not considered in the application of the Standards* to reflect that in some instances, preparers aim to ensure consistency with entities of a similar nature and may not consider materiality. Issues and root causes should primarily be addressed in the Standard rather than in an FAQ.
- Consider engaging with service providers and trilateral parties to explore potential solutions to address issue 7, *Boilerplate information included in the financial statements*, as this issue appears to be consistent across all reviews.

- Guidance developed should be aligned with the principles in the Standard and should not introduce new requirements or amend existing requirements in the Standard.
  - Consider whether the improvements project should include the proposed changes to the Standard or whether a separate ED should be developed to expose these changes.
- 7.4 Members DELIBERATED on whether challenges with applying materiality are specific to the local environment or are a global issue. Members CONCLUDED that the challenges with the application of materiality are indeed a global issue.
- 7.5 A member ASKED about the next steps in the project and whether any guidance would be made available. The Secretariat INDICATED that guidance will be provided in the Review Report, pending approval by the Board.
- 7.6 Members RECOMMENDED the proposed ways forward to the Board.

**Secretariat**

***INITIAL REVIEW OF RESPONSES TO ED 205 PROPOSED STANDARD OF GRAP ON SOCIAL BENEFITS***

- 7.7 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat
  - Summaries of verbal and written comment received on ED 205 (for information purposes)
  - ED 205 *Proposed Standard of GRAP on Social Benefits* (for information purposes)
  - Minutes of the Project Group meetings on 11 and 13 June 2024
- 7.8 The Secretariat NOTED the objective of the discussion was for the Technical Committee to consider proposed amendments to the definition of social risks, for recommendation to the Board. The amendments respond to the key issues raised by respondents to ED 205.
- 7.9 A member ASKED for clarity on the benefits that would meet the definition as exposed in ED 205 and whether, for example, benefits such as basic water and electricity, RDP housing, debt relief, subsidised transport, food parcels, etc. would meet the definition. The Secretariat EXPLAINED that many of these benefits meet the definition, but are not provided in cash and therefore not in the scope of the Standard. In-kind benefits are in the scope of GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets*.
- 7.10 Members DISCUSSED the proposed changes to the definition of social risks and CONSIDERED the following:
- The alignment with GFS should not be lost by changes to the definition.
  - The benefits captured in the current definition should still be captured under any changes. For example, it may not be clear in the new proposed list of characteristics where benefits related to “age” would be captured.
  - The change from a list of examples to an exhaustive list may not resolve the issues and complexity with the assessment. Although some members NOTED that an

exhaustive list will somewhat assist with the complexity, the assessment may remain difficult.

- The complexity may result in the adoption of GRAP Standards being less attractive.
- 7.11 A member QUESTIONED the importance of limiting the application of the ED to those benefits that relate directly to the characteristics of individuals and households. It was SUGGESTED that the ED could be changed to include benefits provided for an event that relates indirectly to the characteristics of individuals/households, i.e. entities consider whether the impact or effect of the risk relates to the characteristics of individuals/households. This would simplify the assessment as entities would not need to assess the cause of the event and this may be difficult to establish. It would further result in benefits of the same nature having the same accounting treatment, rather than benefits being treated differently based on the reason for government providing them.
- 7.12 The Secretariat NOTED that limiting social risks to events/circumstances that relate directly to the characteristics of individuals/households is important to distinguish social benefits from other benefits. If the proposed change is made, many of government's activities would meet the definition of a social benefit. This is because most goods or services provided would ultimately (indirectly) relate to one of the listed characteristics. It was further NOTED that the requirements in the ED may not be appropriate for benefits that relate indirectly to the characteristics of individuals/households as the requirements were not developed for those benefits, and they are better dealt with in other Standards. For example, the event giving rise to an obligation for emergency relief is better explained in GRAP 19.
- 7.13 On balance, members AGREED that there should not be a change to the definition of social risks. The list of examples of characteristics should remain as examples and unchanged, and only benefits relating directly to the characteristics should be included. Members AGREED that other forms of guidance and initiatives could be used to assist entities with understanding the definition and the benefits that would be in the scope of the Standard. For example, implementation guidance and establishing a reference group. It was AGREED that the Standard should be clear upfront that only cash benefits are in the scope of the Standard. That would prevent entities from undertaking a complex assessment of in-kind benefits.

#### **Secretariat**

- 7.14 A member ASKED whether the cost implications of the proposals in the ED were considered. It was NOTED that the cost may be significant for social security insurance benefits and may require the use of consultants. The Secretariat NOTED feedback from stakeholders included that there would not be a significant change in accounting policies for social security insurance benefits and the information required by the ED is similar to information needed for other reporting and budget purposes. There would be a potentially significant change in the accounting policies for social assistance benefits, however, these benefits are mainly provided by the Department of Social Development which applies the Modified Cash Standard. A detailed analysis of the comments on the ED will be brought to the Technical Committee in November 2024.

## **8. EMERGING ISSUES**

- 8.1 The Secretariat TABLED a memorandum at the meeting.

8.2 It was NOTED that the status of FAQs may be misunderstood as the language used could sometimes be seen as authoritative. It was also NOTED that FAQs represent best practice and it is difficult for a preparer to conclude contrary to an FAQ. Members AGREED that any authoritative guidance should be provided in the Standards and not through FAQs.

**Secretariat**

8.3 It was NOTED that the OAG's comparison of GRAP and MCS for some chapters was useful. It was NOTED that the OAG plans to expand the comparison to all chapters in future. The OAG also plans to include MCS content on the GRAP knowledge hub and to create a section on transitioning to GRAP.

8.4 It was NOTED that the OAG is engaging with the Minister and Deputy-ministers of Finance and these engagements may provide an opportunity to raise ASB-related matters with them. This will be discussed further with the Secretariat.

**OAG/Secretariat**

8.5 The representative of the OAG SHARED information about the GRAP knowledge hub. It was NOTED that the benefits of a central hub include the OAG and ASB collaborating on content and being able to track activity. It was NOTED that the National School of Government was also engaged to streamline the GRAP e-learning. A member SUGGESTED that the OAG ensures the current subscription is sufficient for the needs of the knowledge hub.

**OAG**

## **9. ADMINISTRATION**

### ***WORK PROGRAMME AND PROJECTED PERFORMANCE 2024/25***

9.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Work programme for 2024/25.
- Monitoring convergence with the IPSASB.
- Enhancing the Application of Standards of GRAP 2024/25 workplan.

#### ***Work programme 2024/25***

9.2 The Secretariat PROVIDED feedback on the progress of the technical projects, and the Secretariat's involvement in the IPSASB's projects. The Technical Committee SUPPORTED the following amendments to project timelines:

- Postpone the Review Report on the post-implementation review of GRAP 109 *Accounting by Principals and Agents* to the second meeting of quarter 2 (September 2024).
- Postpone the approval of a final Standard of GRAP on *Social Benefits* to quarter 3 (December 2024).

**Secretariat**

9.3 Members SUPPORTED the Secretariat's proposed approach for the IPSASB EDs on IPSAS 33 and measurement (application phase).

**Secretariat**

*Composition of the Technical Committee*

9.4 The Technical Committee CONFIRMED that no skills need to be co-opted for the September meeting.

**Secretariat**

*Projected performance for the quarter ended 30 June 2024*

9.5 The Secretariat NOTED that the targets for the quarter were achieved.

**10. INTERNATIONAL STANDARD-SETTING ACTIVITIES**

10.1 The Secretariat and IPSASB Board member PROVIDED feedback from the June 2024 meeting.

10.2 The comment letters submitted to the IPSASB in the quarter were NOTED.

**11. GENERAL**

The Secretariat and Chair THANKED all members for their contributions.

**12. FUTURE MEETINGS**

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

**13. CLOSING**

Members were THANKED for their participation in the meeting. The meeting was CLOSED at 13:00.

**Prepared by:** E van der Westhuizen      **10 July 2024**

**Reviewed by:** S Gcwabe

**Issued:**