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MINUTES OF THE PROJECT GROUP MEETING OF THE ACCOUNTING STANDARDS BOARD ON ED 205 PROPOSED STANDARD OF GRAP ON SOCIAL BENEFITS HELD ON 13 JUNE 2024

Present:

E Alant	Criterion Consulting
M Dullabh	Office of the Accountant-General
R Fourie	PwC
M Mentz	AGSA
M Mkhize	EY
L Mulaudzi	Actuarial Society of South Africa
M Muller-Sprout	Altimax
P Naidoo	KPMG
A Ntshongwana	KPMG
S van der Merwe	AdaptIT

Secretariat:

S Nondlazi	Standard setter
E van der Westhuizen	Head of Technical

1. WELCOME AND APOLOGIES

Members were WELCOMED to the project group meeting. Apologies were NOTED from A Botha, A Carstens, J Combrink, B George, N Imam-Shah, S Koekemoer, J Poggiolini, A van der Burgh and B van der Merwe.

2. CONFIRMATION OF AGENDA

The agenda was confirmed.

3. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 8 June 2023 were APPROVED.

4. TECHNICAL MATTERS

Response to ED 205 *Proposed Standard of GRAP on Social Benefits*

4.1 The Secretariat TABLED the following documents 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).

Background and objective of the discussion

4.2 The Secretariat NOTED the objective of the discussion was for the project group to consider proposed amendments to the definition of *social risks*, for recommendation to the Technical Committee. The amendments respond to the key issues raised by respondents to ED 205.

Social risks

4.3 The Secretariat EXPLAINED the key issues raised, proposed additional guidance and the proposed amendment to the definition of social risks.

4.4 A member ENQUIRED whether the new characteristics of individuals/households proposed for the definition of social risks would include disability benefits. The Secretariat CONFIRMED that disability benefits would be included. It could be linked to the characteristics of sickness, unemployment or family circumstances.

4.5 A member ENQUIRED whether the Secretariat foresees any situation where new benefits that may be introduced in future would not meet one of the characteristics in the proposed exhaustive list while they are considered social benefits and should ideally be accounted for under this Standard, and whether there is a further risk that such benefits would not be in the scope of any Standard because they are “social benefits” by nature. The Secretariat NOTED that it did not identify any such potential future benefits or other characteristics necessary to be included in the definition. The guidance provided in the scope of the Standard would lead entities to apply GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets* to benefits not in the scope of the Standard. The proposed exhaustive list captures all benefits previously considered part of the definition for which the recognition and measurement requirements were developed.

4.6 A member NOTED that the benefits of an exhaustive list outweighs the risk that a potential future benefit that should ideally be in the scope of the Standard is excluded because of the exhaustive list.

4.7 Members SUPPORTED the proposed change to the definition of social risk.

Secretariat

4.8 A member NOTED that it could remain difficult to identify when a benefit is provided for an event that relates directly to the characteristics of individuals/households, as apposed to indirectly. The member SUGGESTED that it be considered that the definition and guidance in the ED 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 take their assessment back to the cause of the event.

4.9 The Secretariat RESPONDED 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 could be seen to meet the definition of a social benefit, because most goods or services provided would ultimately (indirectly) relate to one of the listed characteristics.

4.10 The member CONCURRED with the explanation and SUGGESTED that this consideration be highlighted to the Technical Committee.

Secretariat

4.11 Members SUPPORTED the proposed additional guidance on when a benefit is provided for an event that relates directly to the characteristics of individuals/households.

Secretariat

Society as a whole

4.12 A member NOTED that "society as a whole" appears to include both the concepts of (a) to whom the benefit is provided, and (b) the way in which the benefit is determined. These should both be clearly explained in the Standard.

Secretariat

4.13 Members SUPPORTED retaining the concept of "society as a whole" in the definition of social benefits.

Secretariat

4.14 A member NOTED it would be important to ensure that the final Standard addresses concerns raised from the consultation process where the concerns related to the principles being unclear, because there is a big focus on this Standard and the Board would need to demonstrate it had responded appropriately.

Secretariat

4.15 A member NOTED that the proposed changes moves the Standard further away from IPSAS 42 on *Social Benefits* and ASKED whether this is deemed appropriate. The Secretariat NOTED that the Board has the benefit over the IPSASB of being able to

develop guidance for the benefits and entities providing these benefits locally so that the requirements are appropriate for these benefits. This is not always possible at an international level given the diversity that may exist across jurisdictions. It was also NOTED that IPSAS 42 introduced guidance for many jurisdictions that did not account for social benefits at all in the past. This is not the case locally.

5. GENERAL

There were no further matters for discussion raised.

6. CLOSING REMARKS

Stakeholders were THANKED for their time to prepare for the meeting, and their participation and input during the meeting.

Prepared by: E van der Westhuizen 14 June 2024