



| PROJECT BRIEF FOR APPROVAL                                   |  |      |        |     |
|--|--|------|--------|-----|
| Name of project  | Standard of GRAP on <i>Transfer expenses</i>   |      |        |     |
| Project timeframe  | Commence in Quarter 4 2025/26<br>Finalisation in Quarter 3 2026/27   |      |        |     |
| Project manager  | S Nondlazi   |      |        |     |
| Complexity of project  | The project is complex. There is no current Standard of GRAP on <i>Transfer Expenses</i> . A new standard will be developed drawing from the IPSAS on <i>Transfer Expenses</i> (IPSAS 48). Consultations with stakeholders will be necessary to test whether a Standard on transfer expense is needed for the local environment.   |      |        |     |
| 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  | The purpose of the project is to conduct research on whether there is a need to develop guidance on transfer expenses in the Standards of GRAP. A new Standard of GRAP on <i>Transfer Expenses</i> may be developed based on IPSAS 48 and stakeholders' needs.   |      |        |     |
| Key issues that need to be addressed as part of this project | <p><i>Scope</i></p> <p>Conduct research and engage with stakeholders to assess whether there is a need to develop a Standard of GRAP on <i>Transfer Expenses</i>.</p> <p>The project will assess the appropriateness of adopting guidance on transfer expenses and whether the accounting outcome from the application of IPSAS 48 is appropriate for the local environment.</p> <p>The project will focus on the accounting from the perspective of the transfer provider (the entity).</p> |      |        |     |
|  | <p><i>Nature of output to be developed</i></p> <p>An Issues Paper will be drafted to outline the key issues to consider in determining whether it is necessary to develop a Standard of GRAP on <i>Transfer Expenses</i>.</p>  |      |        |     |

|  |  |
|--|--|
|  | <p><i>Previous deliberations by the Board</i></p> <p>While transfer expenses as a single topic was not debated by the Board, issues with transfer expenses were noted in comments received on ED 194, consultation on <i>ASB work programme for 2024 – 2026</i>. See key issues below.</p>   |
|  | <p><i>Guidance developed by the Secretariat in response to issues raised by stakeholders</i></p> <p><u>Frequently Asked Questions</u></p> <p>FAQ 7.8 on <i>How should conditional grants be accounted for by the transferor when conditions have not yet been fulfilled, or have been partially fulfilled by the recipient?</i></p>  |
|  | <p><i>Key issues to be considered</i></p> <p>The research aims to determine whether guidance on transfer expenses is required. The research will focus on the following:</p> <ul style="list-style-type: none"> <li>- Whether payments to other entities should be classified as transfer expenses rather than payments for goods and services, equity or loans paid.</li> <li>- Understanding current practice in classifying transfer expenses.</li> <li>- Understanding how entities account for transactions by the grantor in relation to conditional grants.</li> <li>- Identifying any gaps in the environment that may necessitate the development of new disclosure requirements on transfer expenses.</li> </ul> |
| <b>Environment</b>   |  |
| <b>Legislation or regulatory requirements affecting the project</b>                              | <p>Division on Revenue Act (DORA)</p> <p>MFMA</p> <p>PFMA</p>  |
| <b>Existing accounting guidance in the Standards of GRAP, IPSAS or IFRS Accounting Standards</b> | <p>The IPSAS <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i></p> <p>IPSAS 48 on <i>Transfer Expenses</i></p> <p>OAG Grantor’s return right guidance</p>  |
| <b>Practices in other countries</b>  | <p>Research from the IPSAS project on Transfer expenses may be useful.</p>   |
| <b>Use of experts</b>  | <p>Due to the nature of the project, no experts will be necessary.</p>   |
| <b>Stakeholders</b>  |  |
| <b>Entities in the public sector affected by this project</b>                                    | <p>All entities in the public sector that apply Standards of GRAP.</p>   |



|  |  |
|--|--|
| <p><b>Key stakeholders to be consulted during the development of the project</b></p>             | <p>Stakeholder participation will include both preparers and users of the financial statements.</p> <p><i>Preparers</i></p> <p>A representative group of preparers from public entities, local government, Parliament and legislatures, and TVET and CET colleges.</p> <p>Consultants involved in the preparation of financial statements on behalf of these entities.</p> <p><i>Users</i></p> <p>National Treasury: Office of the Accountant-General.</p> <p><i>Auditors and other Technical Advisors</i></p> <p>Audit firms (specifically technical divisions).</p> <p>Reserve Bank</p> <p>National Treasury</p> <p>Stats SA</p> <p><i>Representatives of auditors and accountants</i></p> <p>Professional bodies (e.g. CIAGOL, SAICA, CIGFARO, SALGA, SAIPA and SAIGA).</p> <p><i>Standard setters</i></p> <p>Research from the IPSAS project on Transfer expenses may be useful.</p> |
| <p><b>Key stakeholders to be consulted as part of the <u>public consultation</u> process</b></p> | <p>A public consultation process will be followed after the Board approves an Exposure Draft on a proposed Standard of GRAP on <i>Transfer expenses</i>.</p> <p><i>General consultation</i></p> <p>Preparers, auditors, consultants, and other representative bodies involved in the preparation and audit of financial statements, that are prepared using Standards of GRAP, will be consulted.</p> <p>Stakeholders in all nine provinces and all types of affected entities will be targeted. This will include consultations through the public sector accounting forum and CFO Forums, where possible.</p> <p><i>Targeted consultations</i></p> <p>Provincial Accountants-General</p> <p>National Treasury: OAG and mSCOA team</p> <p>Users such as municipal officials and councillors</p>   |
| <p><b>Linkages</b></p>   |  |
| <p><b>ASB projects</b></p>   | <p>Social Benefits</p>   |
| <p><b>IPSASB projects</b></p>  | <p>Research from the IPSAS project on Transfer expenses may be useful.</p>   |



|   |                               |
|---|-------------------------------|
| <b>IASB projects</b>                                | None                          |
| <b>Local reforms in public financial management</b> | Modified Cash Standards (MCS) |
| <b><i>Project plan</i></b>                          |                               |
| <b>Key milestones and timing</b>                    | See Annexure for the roadmap. |



## Annexure – Road map for the Standard of GRAP on *Transfer Expenses*

| Milestone |   | Timing   | Stakeholder                                | Linkages                                   |
|-----------|---|--|--|--|
| 1.        | Research on IPSAS 48 and local concerns on current transfer expenses requirements | March 2026 – September 2026<br>[Q4 2025/26 – Q2 2026/27] | Internal discussion                        | Standard of GRAP on <i>Social Benefits</i> |
|           |   |  | Stakeholder engagement                     |  |
| 2         | Draft Issues Paper  | October 2026 – December 2026<br>[Q3 2026/27]             | Developed from the outcome of the research | Standard of GRAP on <i>Social Benefits</i> |
|           |   |  | Internal discussion                        |  |
|           |   |  | Project group engagements                  |  |
|           |   |  | Present to Technical Committee             |  |
|           |   |  | Present to Board                           |  |

| Document management |            |                |
|---------------------|------------|----------------|
| Prepared by:        | S Nondlazi | 29 August 2024 |
| Revised by:         |            |                |
| Approved by:        |            |                |