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MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 1 JULY 2025

ATTENDANCE

MEMBERS OF THE COMMITTEE

CHAIRPERSON	S Gcwabe
BOARD REPRESENTATIVES	
	A Carstens (Deputy Chairperson)
	A Hardien
	A van der Burgh
REPRESENTATIVE OF THE AGSA	
	M Mentz
REPRESENTATIVE OF THE OAG	
	L Bodewig
REPRESENTATIVE OF THE ASB	
	J Poggiolini
EX OFFICIO	
A Botha	Project Manager
N Imam-Shah	Project Manager
E van der Westhuizen	Head of Technical

1. WELCOME AND APOLOGIES

Members were WELCOMED to the meeting. Apologies were NOTED from S Nondlazi and W de Jager.

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 were NOTED other than members' standing declarations.

4. MINUTES OF THE PREVIOUS MEETING

4.1 The minutes of the meeting held on 4 March 2025 were TABLED and APPROVED. It was AGREED that the minutes will be signed by both the chairperson and the deputy-chairperson.

Secretariat

4.2 The chairperson NOTED appreciation for the accuracy of the minutes.

5. MATTERS ARISING

5.1 The Secretariat TABLED a memorandum on the matters arising from previous meetings for noting.

5.2 A member ASKED about the policy on external parties using their own Artificial Intelligence (AI) tools for meeting minutes. Members SHARED concerns that this could result in multiple sets of records for the same meeting, only one of which is official and followed the process outlined in the relevant terms of reference.

5.3 It was AGREED that the issue should be captured in the ASB's policy on the use of AI, which is under development. The Secretariat will also consider whether amendments to the terms of reference of the Board and its subcommittees are needed. It was also AGREED that, as an interim measure until the policy is approved, AI readers will not be allowed for meetings of the Board and its subcommittees.

Secretariat

5.4 A member RECOMMENDED that the Secretariat continues to use prompts to improve the format of minutes automatically generated by AI readers for all meetings.

Secretariat

6. TECHNICAL MATTERS

REVIEW OF RESPONSES TO ED 207 ON POST-IMPLEMENTATION REVIEW OF GRAP 108 ON STATUTORY RECEIVABLES

6.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Summary of comment and proposed responses
- Analyses of verbal and written comment received on ED 207

- Draft minutes of project group meetings

Background and purpose

6.2 The Secretariat NOTED that the objective of the discussion was for the Technical Committee to consider the comments received on ED 207, the related themes identified, and proposed actions from project group members for recommendation to the Board.

Consultation process followed

6.3 The Secretariat NOTED the consultation process followed.

Key issues identified and proposed action

6.4 The Secretariat EXPLAINED the pervasive issues noted from the review and the project groups' proposed actions thereto. The following areas were discussed:

<u>General observations</u>

6.5 A member ASKED whether communicating the results of the review through a Review Report will have the intended impact, as stakeholders seem to be unaware of other guidance available on GRAP 108. The member also ASKED whether stakeholders are aware that the GRAP 104 Fact Sheet on VAT provides guidance relating to statutory receivables.

6.6 The Secretariat EXPLAINED that stakeholders being unaware of available guidance is not limited to this project. It was NOTED that the Secretariat is exploring different communication methods. In this regard, members RECOMMENDED that:

- members of the Public Sector Accounting Forum be used to disseminate information to a broader range of stakeholders; and
- the re-established Public Sector Audit Committee Forum (PSAF) be used to promote the application of the Standards.

6.7 It was NOTED that through the Knowledge Hub, stakeholders can be directed to relevant topical guidance. The OAG is currently considering how to better link published information and how to make use of AI to respond to stakeholder questions. Proposals will be discussed with the Secretariat.

6.8 A member NOTED that concerns with the application of materiality are not limited to stakeholders being unaware of available guidance on the topic. In their view, there is a broader concern about how materiality is applied by different stakeholders.

6.9 Members SUPPORTED the above recommendations and the project groups' proposed action to raise awareness of available guidance.

Secretariat

6.10 A member REQUESTED that consideration be given to the timing of the publication of the Review Report.

Secretariat

<u>Classification of receivables as statutory or contractual</u>

6.11 Some members QUESTIONED the root causes of the challenges, and the inconsistent responses received from respondents to the review. The Secretariat PROVIDED background to the responses received. Members NOTED that entities should implement appropriate internal controls and retain supporting documents to inform the classification of receivables. A lack of accounting systems and/or funding to implement systems will not resolve classification challenges of receivables.

6.12 A member OBSERVED a continuous inherent risk of quality financial reporting is preparers having challenges with the application of the GRAP Standards. Members NOTED the following:

- The GRAP reporting framework is sophisticated and preparers are unable to understand and correctly apply the principles.
- Some preparers lack confidence to apply the principles in the GRAP Standards. A reason for this could be auditors reporting on material adjustments to financial statements. This matter was discussed with the trilateral parties during the last engagement.
- Some preparers seem to be reluctant to ask for guidance on applying the GRAP Standards.
- Stakeholders may not have a platform to test their understanding when applying GRAP Standards. Forums and platforms such as the PSAF, Knowledge Hub and GRAP 104 Reference Group are available and should be used for this purpose, although the PSAF may not discuss entity-specific issues.
- Entities should have the skills required to prepare GRAP compliant financial statements in-house. It may be appropriate for preparers to use expert external advice in certain instances, such as when they need to apply complex GRAP Standards, account for complex transactions, or to implement appropriate processes on a once-off or ad hoc basis.

6.13 A member ASKED whether the Board should review its process for setting GRAP Standards to ensure that the Standards are appropriate for preparers' level of skills. The Standards of GRAP should not be so complex that they can only be applied by technical experts. Other Members OBSERVED that the core concern seems to be with a lack of professional values, professional attitudes and skills. These challenges are not limited to the public sector. Principle-based standards require entities to apply judgement. This may result in various answers and opinions. It was NOTED that the GRAP Standards align with international practice, and the Board follows a rigorous process in setting Standards to ensure that they are appropriate for the local environment. The Technical Committee RESOLVED that the Standards should remain principle-based. It was NOTED that resolving skill and capacity challenges is not within the Board's mandate.

6.14 It was NOTED that when receiving comments from stakeholders, caution should be exercised as not all respondents have the necessary experience or competence to provide comments on a specific topic.

6.15 A member ASKED how the Board measures itself to conclude that it has done enough to assist entities in understanding complex GRAP Standards. It was NOTED that various interventions are in progress to provide more technical support to entities. The OAG SHARED information with members on its project to review the Professionalisation Framework in the public sector.

6.16 The Technical Committee SUPPORTED the proposal that no amendments to GRAP 108, the existing Frequently Asked Questions (FAQs), or the Fact Sheets are required, and that awareness be raised of available GRAP 108 guidance.

Secretariat

Impairment of statutory receivables

6.17 It was QUESTIONED if the proposal to include guidance on the legal write-off of debt in GRAP 108 will explain the difference between legislative and accounting considerations. The Secretariat NOTED that the substance over form principle and guidance from GRAP 104 on the legal write-off of debt will be considered in developing the proposed guidance.

6.18 The Technical Committee SUPPORTED the proposals to consider additional indicators for inclusion in GRAP 108 and to develop a general FAQ on the difference between impairment and derecognition.

Secretariat

Presentation of statutory receivables

6.19 The Technical Committee SUPPORTED the proposal that no amendments to GRAP 108 or the existing FAQs are required, and that awareness be raised of available GRAP 108 guidance. The Technical Committee also AGREED with raising awareness about information presented on the face of the financial statements and how this should be read with the information presented in the notes.

Secretariat

Disclosure requirements

6.20 The Technical Committee SUPPORTED the proposal to raise awareness of available GRAP 108 guidance and develop education material for preparers.

Secretariat

Recognition of revenue arising from statutory receivables

6.21 The Technical Committee SUPPORTED the proposal to address the challenges noted from the review as part of the Board's Revenue project. It was also AGREED that awareness be raised of available GRAP 108 guidance and to share the observations with the OAG.

Secretariat

6.22 It was QUESTIONED if there are any interim actions needed to provide guidance on applying GRAP 108 and the revenue principles to grants, as the Board's Revenue project is planned for the next work programme. It was AGREED that the Secretariat will discuss interim proposals with the OAG as guidance was developed in the past.

Secretariat

6.23 The Technical Committee CONCLUDED that, considering capacity constraints of the Secretariat, the actions proposed to address the key issues should be limited to those that improve stakeholders' ability to apply the Standard.

Secretariat

Introducing a new impairment model in GRAP 108

6.24 The Secretariat EXPLAINED the views of stakeholders on replacing the incurred loss impairment model in GRAP 108 with the expected credit loss (ECL) impairment model from the revised GRAP 104 on *Financial Instruments*.

6.25 The Technical Committee DEBATED the project groups' proposal based on the assessment of how both impairment models support the qualitative characteristics in the Conceptual Framework and cost-benefit considerations.

6.26 It was NOTED that stakeholders shared contradictory views on whether information is available to adopt the ECL model.

6.27 A member QUESTIONED the observation that entities may not have the necessary information to apply the ECL model. It was NOTED that private sector research on the level of judgement applied using the ECL model compared to the incurred loss model indicates that the outcomes from the increased use of judgement may not be as varied as initially anticipated. It was NOTED that the information needed to apply the ECL model may not be significantly different from the information required to apply the incurred loss model. Information is also not necessarily required per debtor, as the ECL model starts at an aggregated level. There are also other considerations in the ECL model, such as an entity not having to obtain the information if it requires undue cost or effort. Despite there being differences in the timing of recognising an impairment loss between the models, both models meet the qualitative characteristics in the Conceptual Framework.

6.28 Members DISAGREED with the proposal to allow a dual model to impair statutory receivables. It was NOTED that it will be operationally complex for preparers to apply a dual impairment model. Users may also not be able to understand the information when different impairment models are used. It was also NOTED that there could be other consequences that need to be considered before the ECL model is adopted to impair statutory receivables, such as:

- whether the ECL model could be applied with the subsequent cost-based measurement approach in GRAP 108;
- whether and how different the calculated impairment amount will be compared to the current impairment approach adopted in GRAP 108, which is similar to the value-in-use approach in the Standard of GRAP on *Impairment of Non-Cash-generating Assets*; and
- other unintended consequences, for example, entities impairing grant receivables due to late tabling of budgets or from other adverse events such as a downgrade in the country's credit rating.

6.29 Members AGREED that more research is needed before the Board can decide on an impairment model for statutory receivables given the lack of information available in the broader market on the impact and challenges with applying the ECL model. Members AGREED to recommend to the Board that a decision on whether the ECL model should be adopted to impair statutory receivables be deferred until more information is available for the Board to make a decision.

Secretariat

6.30 It was NOTED that, based on the Board's current work programme proposals, work on amendments to GRAP 108 can only be considered after 2029. This will allow time for practice to develop on the application of the ECL model.

Introducing disclosures on credit and liquidity risk in GRAP 108

6.31 The Secretariat EXPLAINED the views from stakeholders on introducing disclosures on credit and liquidity risk in GRAP 108.

6.32 The Technical Committee SUPPORTED the project groups' proposal to, for the interim:

(a) encourage entities to apply the GRAP 108 disclosure objective and encouraged disclosure in GRAP 1 on *Presentation of Financial Statements* to explain statutory receivables' exposure to credit risk and how liquidity risk is managed; and

(b) to only consider credit risk disclosures when the Board decides to adopt the ECL impairment model to impair statutory receivables.

Secretariat

6.33 Members AGREED with the responses proposed to the analysis of verbal and written comments.

Secretariat

Next steps

6.34 The next steps of the project were NOTED.

INVITATION TO COMMENT ON PROPOSED STANDARD OF GRAP ON SOCIAL BENEFITS – LIMITED SCOPE AMENDMENTS (ED 214)

6.35 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Draft minutes of project group meetings
- Invitation to Comment (ITC) on *Proposed Standard of GRAP on Social Benefits – Limited Scope Amendments (ED 214)*
- *Proposed Standard of GRAP on Social Benefits – Limited Scope Amendments* (ED 214) (full text) [For information purposes]

6.36 Members REVIEWED the proposed ED 214. It was AGREED that the following changes will be made to the text:

- Add explanations to the background and basis for conclusions on why the Board considers it appropriate to apply the "boundary" from the verification of substantive ongoing eligibility criteria to social assistance benefit liabilities, but not to social security insurance benefit liabilities.
- Remove the last sentence of paragraph AG42.
- Replace paragraph AG46. with two paragraphs on the considerations related to the measurement of social assistance benefit liabilities and social security insurance benefit liabilities respectively.
- Replace the example in paragraphs IG6. to IG9. with two examples that separately illustrate:

- How do breaks in a beneficiary meeting the eligibility criteria for a social benefit affect the recognition and measurement of the liability.
- The impact of ongoing eligibility criteria that are substantive and that are not substantive on the measurement of social assistance benefit liabilities.

- Add an example to the background that illustrates the impact of the change proposed in ED 214.

6.37 Subject to the amendments above, the Technical Committee RECOMMENDED ED 214 to the Board for approval.

Secretariat

REVIEW OF RESPONSES TO ED 211 ON ASB WORK PROGRAMME CONSULTATION 2027 - 2029

6.38 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Analyses of verbal and written comment received on ED 211
- Indicative work programme 2027 - 2029

6.39 Members SUPPORTED the Secretariat's approach to consider capacity of the Board and staff in the assessment of the projects that could be undertaken over the period. The focus on the mandate of the ASB was also SUPPORTED.

6.40 A member NOTED that consideration should be given to whether work on leases is the most urgent work to be undertaken locally in the period. The Secretariat NOTED that, based on the responses to the work programme, work on assets is most needed. However, the work on assets does not require a standard-setting solution. A project on leases was considered the best suited standard-setting project to undertake in the period. This includes developing guidance on concessionary leases that is not currently provided in the Standards of GRAP.

6.41 Subject to the following comment provided, Members SUPPORTED that a project on leases is added to the work programme:

- The proposed project timelines may be ambitious as it would be important to first research the impact of IPSAS 43 *Leases* on the local environment and whether, and if so, the extent to which it would be appropriate. The development of an Exposure Draft in the period may not be feasible.
- To reflect the above, the title of the project may also need to be changed. The Secretariat ADDED that an executive summary will be published with the work programme to provide context to the projects.
- The recent focus on private participation in government projects links with leases (among other types of arrangements, such as service concession arrangements). The project could also consider this.

Secretariat

6.42 Members ENQUIRED what is meant with the "communication activities" item on the work programme and whether there will be a separate plan for it. It was NOTED that it may otherwise be difficult for respondents to know where their comments are addressed. The single item may also not adequately reflect and communicate to stakeholders the extent of activities that will be undertaken as part of this item. The Secretariat EXPLAINED that the development of the communication strategy is underway, and an annual plan will be developed that will detail the activities. From 2026/27, this will no longer be included in the APP as it is operational. It was also NOTED that the work programme only reflects the technical activities, while the communication strategy and plan will be broader and deal with the totality of the Secretariat's activities.

6.43 A member ASKED what the intention is with referring to professional bodies and whether they would potentially assist with the Board or staff's work, or with resolving issues. The Secretariat EXPLAINED that some comments received on the work programme consultation are outside the mandate of the ASB, e.g. mentorship programmes. The proposal is to share these comments with relevant professional bodies for their consideration.

6.44 A member ASKED for clarity on the proposed work to develop communication material on sustainability reporting. It was NOTED that care should be taken to not create expectations or confusion about the current status or what will be done. The Secretariat EXPLAINED that the proposal is to develop a short communication document in conjunction with the OAG which could, for example, be placed on the Knowledge Hub. A communication document was considered necessary to respond to the comments that sought clarity on the requirements to prepare sustainability reports locally.

6.45 A member ENQUIRED how the planned work on non-current assets will be accommodated as it is not formally on the work programme. The member also ENQUIRED whether the work could lead to the development of a Guideline. The Secretariat NOTED that staff resources will be planned for this work internally, and the OAG would assist with a resource. It was NOTED that the development of a Guideline will not resolve the issues in the short term, as it requires the Board to follow its due process. Guidelines may also not be the best type of guidance as Guidelines explain the application of the principles of the Standards to a specific transaction or event and usually consider specific legislation governing the transaction or event.

6.46 A member NOTED that in the private sector, there is research published by firms and others on the accounting implications of new and complex standards. This is not the case in the public sector. The member RECOMMENDED that the Secretariat explores how it could increase appetite of stakeholders to perform and publish similar research. The member also RECOMMENDED the Secretariat seeks activities in the broader ecosystem where it could contribute and raise the profile of the ASB.

Secretariat

6.47 Members RECOMMENDED the proposed work programme to the Board for approval.

Secretariat

7 EDUCATION MATERIAL FOR PREPARERS OF FINANCIAL STATEMENTS

7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed plan for 2025/26

7.2 Members RECOMMENDED the proposed plan for quarters 2 to 4 to the Board for approval.

Secretariat

8 EMERGING ISSUES

8.1 The Secretariat TABLED a memorandum at the meeting.

Adoption of Standards of GRAP

8.2 A member NOTED that the OAG received a request from the UIF for exemption from accounting for certain revenue streams in accordance with GRAP, while Directive 6 on *Transitional Provisions for Revenue Administered by SARS* applies. The Secretariat NOTED that it provided a response to the OAG on the request.

Standards of GRAP awaiting approval by the Minister of Finance

8.3 It was NOTED that the effective date of 1 April 2027 can be published for the amendments to the Standards of GRAP, except for the *Improvements to the Standards of GRAP, 2023*. This pronouncement was omitted from the Government Gazette exposing the date for comment and would need to be republished for comment.

Ongoing monitoring of application of standards

8.4 It was NOTED that the Secretariat's FAQs are considered to remain appropriate even though the matter of impairment of land was subject to a disagreement at the PSAF as the contrary view that it is appropriate to impair land to zero was held by a minority and the trilateral parties agree with the FAQ.

GRAP 104 Financial Instruments (Revised 2019)

8.5 Members EXPRESSED concerns about entities' readiness to apply GRAP 104 (revised). It was NOTED that entities likely underestimate the impact the Standard will have on their financial statements, the steps they need to take to implement the revisions, and the time needed to take those steps. Few entities provide the required disclosure on the impact of the not yet effective Standard.

8.6 Members RECOMMENDED that the Secretariat explores the following actions:

- Engage the CFO and GRAP expert of an entity and municipality who have experience with implementing the Standard to share their experience with others.
- Raise awareness through a roadshow with the ASB CEO and Accountant-General.
- Request external auditors to include the matter as an emerging risk in the 2024/25 audit reports.
- Request internal auditors to perform a readiness assessment at GRAP entities.
- Request professional bodies, such as SAICA, CIGFARO, SAIPA, IIA, etc., to undertake educational activities for their members and seek opportunities to present to their members.

Secretariat

8.7 The representative of the OAG NOTED that when GRAP 25 on *Employee Benefits* was amended, the GRAP Accounting Guideline was updated to include internal control considerations. It was AGREED that this will be considered for GRAP 104, with the assistance of those who have experience with implementation of the Standard.

OAG / Secretariat

9 ADMINISTRATION

WORK PROGRAMME AND PROJECTED PERFORMANCE 2025/26

9.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Revised project briefs on Measurement, Improvements and Social Benefits
- Work programme for 2025/26
- Monitoring convergence with the IPSASB
- Education material for preparers 2025/26 workplan
- GRAP 104 Reference Group workplan
- Frequently Asked Questions

Work programme 2025/26

9.2 A Member ASKED about the proposal to amend the order in which the work in the measurement project is undertaken. The Member NOTED that stakeholders may find it difficult to understand the conceptual changes without understanding the practical implications and the guidance at a standards-level. It was AGREED that the Secretariat will include the standards-level implications when consulting stakeholders on the Exposure Draft on the amendments to the Conceptual Framework.

Secretariat

9.3 The Technical Committee RECOMMENDED the amended project timelines, as reflected in the updated project briefs, to the Board for approval.

Secretariat

Composition of the Technical Committee

9.4 The Technical Committee CONFIRMED that no skills need to be co-opted for the September 2025 meeting.

Secretariat

Performance for the quarter ended 30 June 2025

9.5 The Technical Committee NOTED the performance for the quarter ended 30 June 2025.

Secretariat

10 EVALUATION OF THE TECHNICAL COMMITTEE

Members NOTED the feedback on the evaluation of the Technical Committee.

11 INTERNATIONAL STANDARD-SETTING ACTIVITIES

The Secretariat PROVIDED feedback from the meeting held from 10 to 13 June 2025.

12 GENERAL

The Secretariat and Chair THANKED all members for their contributions.

13 FUTURE MEETINGS

It was NOTED that the next meeting is scheduled for 4 September 2025.

14 CLOSING

Members were THANKED for their participation in the meeting. The meeting was CLOSED at 14:10.

Prepared by:	**E van der Westhuizen**	**10 July 2025**
Reviewed by:	**S Gcwabe**	**4 September 2025**
Issued:		**4 September 2025**