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MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 31 AUGUST 2023

ATTENDANCE

MEMBERS OF THE COMMITTEE

BOARD REPRESENTATIVES

A van der Burgh [Deputy-Chair]

C Braxton

REPRESENTATIVE OF THE AGSA

M Mentz

REPRESENTATIVE OF THE ASB

J Poggiolini

EX OFFICIO

A Botha Project Manager

N Imam-Shah Project Manager

S Nondlazi Project Manager

E van der Westhuizen Technical Director

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 Technical Director: Ms E van der Westhuizen

1. WELCOME AND APOLOGIES

Members were WELCOMED to the meeting. Apologies were NOTED from D Dlamini and L Bodewig. A van der Burgh AGREED to chair the meeting.

2. CONFIRMATION OF THE AGENDA

The agenda was CONFIRMED without amendment.

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, subject to the following amendments:

- Paragraph 6.9 – Clarify the first sentence “Members NOTED that the guidance in paragraph .12 ~~that an inconclusive assessment of whether the definition of a social security insurance benefit is met~~ may lead entities to inappropriately conclude that benefits are social assistance benefits.”.
- Paragraph 6.10 – Add a comma to clarify: “Government policy determines the benefits, and the affordability of the policy is reviewed...”
- Paragraph 6.25 – Add “Members RECOMMENDED the ED to the Board for approval, subject to the agreed amendments”.

Secretariat

5. MATTERS ARISING

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

6. TECHNICAL MATTERS

PROPOSED IMPROVEMENTS TO THE STANDARDS OF GRAP (2023) AND IGRAP ON FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION (IGRAP 22)

6.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Minutes of the project group meetings held in June 2023
- Analysis of written and verbal comments received [Improvements]
- Proposed *Improvements to the Standards of GRAP (2023)*
- Analysis of written and verbal comments received [IGRAP 22]
- Proposed IGRAP on *Foreign Currency Transactions and Advance Consideration (IGRAP 22)*

6.2 It was NOTED that ED 201 on *Improvements to the Standards of GRAP* and ED 202 on the IGRAP on *Foreign Currency Transactions and Advance Consideration* were issued in December 2022 and comment closed on 28 April 2023. The analyses of

written and verbal comment, and the proposed changes, were discussed at two project group meetings in June 2023. Project group members supported the proposed actions on the key issues.

Consultation process

- 6.3 It was NOTED that a notice outlining a request to comment on the Exposure Drafts (EDs) was published in the Government Gazette. The Secretariat engaged with stakeholders during various sessions to discuss the proposals in the EDs. Articles on the proposed amendments were also published on the ASB's social media platforms.
- 6.4 It was NOTED that the Board received comment letters from the Office of the Accountant-General and the Office of the Provincial Accountant-General: Free State Treasury for ED 201 and ED 202. Written comment was also received on ED 201 from Swartland Municipality.
- 6.5 It was NOTED that the Secretariat was of the view that sufficient awareness of the EDs were raised, and the stakeholders identified in the project brief were given sufficient opportunity to participate in the comment process.

Amendments to the EDs

- 6.6 It was NOTED that stakeholders were supportive of the amendments proposed in ED 201. There were no amendments proposed in ED 202.

Summaries of written and verbal comment

Analysis of written comments on ED 201

6.7 Comment 13

- The Technical Committee OBSERVED that there is a lack of comparability from one public entity to another when applying GRAP 24 on *Presentation of Budget Information in Financial Statements*. The lack of comparability is due to the budget process not being well-defined for public entities. This means not all public entities are in the scope of the Standard and there might be public entities that voluntarily apply GRAP 24.
- It was NOTED that the Standard cannot address comparability across public entities. The Secretariat will raise awareness in its communication on the variability in the application of GRAP 24 by public entities and the potential lack of comparability on the presentation of the Statement of Budget and Actual Amounts.

Secretariat

- It was NOTED that the concern by project group members that an entity's accountability for its budget is not always visible to the general public should be raised with National Treasury.

Secretariat

Analysis of verbal comments on ED 201

6.8 Comment 7.2

- The Technical Committee NOTED that the Estimates of Provincial Revenue and Expenditure is not the instrument that gives rise to the approved budget. It was

AGREED that this and other useful amendments be made to the Fact Sheet on GRAP 24 once the improvements project is complete.

Secretariat

Proposed amendments to *Improvements to the Standards of GRAP* and the IGRAP on Foreign Currency Transactions and Advance Consideration

6.9 The Technical Committee AGREED with the proposed amendments to the *Improvements to the Standards of GRAP*. There were no amendments to IGRAP 22.

Approval

6.10 The Technical Committee RECOMMENDED the *Improvements to the Standards of GRAP* and IGRAP 22 to the Board for approval.

Secretariat

Next steps

6.11 It was NOTED that, based on the principles set out in the Board's Due Process Handbook, the earliest proposed effective date for the *Improvements to the Standards of GRAP* and IGRAP 22 that can be recommended to the Board is 1 April 2025.

6.12 The Technical Committee SUPPORTED the proposed effective date of 1 April 2025.

Secretariat

REPORTING FRAMEWORK FOR 2024/25

6.13 The Secretariat TABLED the following:

- Memorandum from the Secretariat
- Proposed Reporting Framework for 2024/2025
- Full Reporting Framework (for publication on the website)
- Communication on Reporting Framework

Proposed Reporting Framework for 2024/25

6.14 It was AGREED that the full Directive should be reviewed to determine whether any amendments are required. The review should be conducted earlier in the financial year to allow for a public consultation period and ensure that the 2025/26 Directive is still issued in September 2024. Members AGREED that the review should specifically consider pronouncements approved by the Board for which the Minister of Finance has not yet determined an effective date.

6.15 The Technical Committee RECOMMENDED the Proposed Reporting Framework for 2024/2025 to the Board for approval, subject to the following amendments:

- Change wording on paragraph .07 of the Appendix to state that, Standards of GRAP ~~approved~~ for which the Minister of Finance has determined an effective date, ~~that entities are permitted to adopt~~ ~~entities are permitted to adopt the Standards of GRAP and/or any related Interpretations of the Standards of GRAP~~ earlier than the date specified (paragraph .11 of this Directive):

- Subject to approval by the IPSASB and ASB respectively, update the basis for conclusions to include IPSAS 49 and Improvements to the Standards of GRAP, 2023; and include IGRAP 22 in the Annexure to the Reporting Framework.
- Amend paragraphs BC5. and BC6. to explain paragraphs .11 and .12 of the Directive.

Secretariat

Full Reporting Framework (for publication on the website)

- 6.16 Members AGREED that changes made to the Full Reporting Framework should be explained in the communication to the CFOs.

Secretariat

Communication on Reporting Framework

- 6.17 Members AGREED that the third sentence under the status of IPSAS and IFRS Accounting Standards subheading should be amended to read:

- IPSAS or IFRS Accounting Standards are used to formulate an accounting policy when certain criteria are met as specified in GRAP 3.

Secretariat

ENHANCING THE APPLICATION OF THE STANDARDS OF GRAP

- 6.18 The Secretariat TABLED a memorandum and plan of activities for the project on “Enhancing the Application of the Standards of GRAP”.

- 6.19 The Technical Committee NOTED the activities undertaken in the quarter in accordance with the plan.

7. EMERGING RISKS

- 7.1 The Secretariat TABLED a memorandum at the meeting.

- 7.2 The Secretariat NOTED the following:

- The OAG received requests from two entities for further exemption from applying Standards of GRAP. The entities requested to continue applying IFRS Accounting Standards even though neither of them meet the criteria in Directive 12. The OAG is considering the requests and will consult within the National Treasury e.g. with the Public Finance unit.
- The Intergovernmental Relations unit (IGR) of the National Treasury plans to regulate the mSCOA AFS template from 2024 for all municipalities. The matter was discussed at the trilateral meeting. None of the parties support this initiative as it undermines efforts to improve the quality of reporting in the financial statements. The OAG will discuss the matter further internally with IGR.

- 7.3 A member NOTED similar concerns to the trilateral parties on regulating the mSCOA AFS template. It was NOTED that there may be further legal issues with the action, such as infringing on the ASB’s mandate to set the Standards of GRAP, and the requirement for entities to apply a fair presentation framework from an audit perspective.

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.

Execution of work programme

8.2 The Secretariat REQUESTED members' feedback on the usefulness of the project tracking schedules. Members CONFIRMED that the current information is useful.

Secretariat

Changes to the work programme

8.3 The Secretariat REQUESTED the Technical Committee to consider delaying the feedback and proposals from the GRAP 109 Post-implementation Review from December 2023 to March 2024. This would allow the Secretariat sufficient time to develop appropriate responses to the comment received.

8.4 Members AGREED and RECOMMENDED the amendment to the Board for approval.

Secretariat

IPSASB projects

8.5 The Secretariat NOTED the IPSASB EDs expected to be published in 2023/24, and the process the Secretariat follows to agree with the Technical Committee and Board the relevant EDs that local stakeholders will be consulted on.

8.6 The Secretariat PROPOSED to not expose the IPSASB Improvements concurrently.

8.7 The Technical Committee SUPPORTED the proposal and RECOMMENDED it to the Board for approval.

Secretariat

Composition of the Technical Committee

8.8 The Technical Committee CONFIRMED that the composition of the Technical Committee is appropriate for the November 2023 meeting. The Technical Committee AGREED to continue with the assessment a quarter in advance of the next meeting.

Secretariat

Performance for the quarter ended 30 September 2023

8.9 The Secretariat NOTED that it is expected that the quarterly performance targets will be achieved, with the exception of the submission of an article. Additional articles were written in the previous quarter. The performance for the year is on schedule to be achieved.

WORK PROGRAMME 2024 to 2026

8.10 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Review of GRAP 20 *Related Party Disclosures*
- Measurement
- Social Benefits (revised)
- Post-implementation review of GRAP 108 *Statutory Receivables*

Project brief on Review of GRAP 20 on *Related Party Disclosures*

8.11 The Secretariat EXPLAINED the project overview, the milestones and the timeframe to the Technical Committee.

8.12 The Technical Committee RECOMMENDED the project brief to the Board for approval subject to the following amendments:

- Include audit reports in the sources to be considered during the desktop review.
- Include the disclosure of balances owed to or receivable from related parties in key issues to be considered.
- Include PFMA Treasury Regulation 28.1 relating to executive management remuneration in the legislation that requires disclosure.

Project brief on Measurement

8.13 The Secretariat TABLED the project brief on Measurement at the meeting.

8.14 The Secretariat EXPLAINED the project overview, the milestones and the timeframe to the Technical Committee.

8.15 The Technical Committee APPROVED the project brief subject to the following amendments:

- The “Impact” rating of the project should be changed from medium to high, as the project will affect the measurement of assets and many entities have large asset balances.
- Section 54(2) of the PFMA relating to reporting on the acquisition and disposal of significant assets may be affected by the project and it should be specifically mentioned in the project brief.
- The ED on the amendments to the *Conceptual Framework for General Purpose Financial Reporting (Conceptual Framework)* and the ED on *Measurement* should be presented at separate meetings to the Technical Committee and Board. The new requirements may be complex and the volume of the EDs may be large. Therefore, spreading the EDs will mean more time for the Technical Committee and the Board to consider the topics. Although approval of the EDs will be at separate meetings, the EDs will be published simultaneously for public consultation.
- The ED on *Measurement* should be developed before the ED on the amendments to the *Conceptual Framework* as it may streamline the development of the EDs.

- Discussions should be held with a wider group of stakeholders for the development of the Issues Paper. The new measurement basis, current operational value, may not be uniformly understood by all stakeholders. It was also SUGGESTED that more time be spent developing the Issues Paper.
- The project brief will clarify that the review and update of the other Standards of GRAP will be a separate phase.

Secretariat

Work of the IPSASB

8.16 The Technical Committee NOTED the expected EDs of the IPSASB that are likely to be published for consultation during 2024/25.

Work programme 2024/25

8.17 The Secretariat REQUESTED the Technical Committee to consider changing the timelines of the following existing projects and explained the reasons for the proposals:

- Move the ED on the transitional provisions and effective date for *Social Benefits* by one quarter from September 2024 to December 2024.
- Move the Board's consideration of comments from the public consultation process of the Post-implementation Review of GRAP 108 from December 2024 to March 2025.

8.18 The Secretariat NOTED that the timeline of the reporting framework for 2025/26 will be reassessed in light of potentially following a due process to amend Directive 5.

8.19 The Secretariat NOTED the work programme and performance targets for the APP that result from the current projects and new project briefs.

8.20 The Technical Committee RECOMMENDED the proposed changes to the timelines of current projects, the work programme and the performance targets to the Board for approval.

Secretariat

9. REVIEW OF TECHNICAL POLICIES

9.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Due Process Handbook
- SS017 - Procedure Manual for Standard-setting Activities
- SS08 - Terms of Reference Technical Committee
- SS09 - Performance targets and measuring progress
- SS11 - Naming and numbering conventions
- SS013 - Responses to queries
- SS015 - Registration form for open meetings

9.2 The Secretariat NOTED the proposed changes to the Due Process Handbook, Procedure Manual and technical policies.

- 9.3 The Technical Committee CONSIDERED the proposed changes and AGREED that the changes to the Due Process Handbook need not be presented to the Board.

Secretariat

GUIDANCE FOR DEVELOPING DISCLOSURE REQUIREMENTS

- 9.4 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat
 - Guidance for developing and drafting disclosure requirements in IFRS (for information purposes)
- 9.5 The Secretariat EXPLAINED the *Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards* (Guidance) issued by the International Accounting Standards Board (IASB). The Secretariat RECOMMENDED that similar guidance to the IASB's Guidance should be developed for the Standards of GRAP.
- 9.6 The Technical Committee AGREED that similar guidance should be developed for the development of disclosure requirements in the Standards of GRAP.

Secretariat

- 9.7 The Technical Committee CONFIRMED that the proposed guidance should be located in the *Procedure Manual for Standard-setting Activities*.

Secretariat

- 9.8 It was NOTED that the guidance will be developed by staff and if further Technical Committee and/or Board involvement is required, the timelines will be agreed.

10. INTERNATIONAL STANDARD-SETTING ACTIVITIES

- 10.1 The Secretariat NOTED the dates of the IPSASB's September 2023 meeting.
- 10.2 The comment letter submitted to the International Valuation Standards Council on proposed changes to the International Valuation Standards was NOTED.

11. GENERAL

No matters were IDENTIFIED.

12. FUTURE MEETINGS

It was NOTED that the next meeting is scheduled for 9 November 2023.

13. CLOSING

Members were THANKED for their participation in the meeting. The meeting was CLOSED at 13:20.

Prepared by: E van der Westhuizen **31 August 2023**

Reviewed by: A van der Burgh **4 October 2023**

Issued: 4 October 2023