



240 Madiba Street  
Pretoria  
0002  
Tel. 011 697 0660  
Fax. 011 697 0666  
[www.asb.co.za](http://www.asb.co.za)

## **MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 9 NOVEMBER 2023**

### **ATTENDANCE**

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

##### **BOARD REPRESENTATIVES**

D Dlamini [Chair]  
A van der Burgh [Deputy-chair]  
C Braxton

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

M Mentz

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

Lindy Bodewig

##### **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	Head of Technical

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

**1. WELCOME AND APOLOGIES**

Members were WELCOMED to the meeting.

**2. CONFIRMATION OF THE AGENDA**

The agenda was CONFIRMED. The evaluation of the Technical Committee was added to agenda item 9. General.

**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.

**Secretariat**

**5. MATTERS ARISING**

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

**6. TECHNICAL MATTERS**

***PROPOSED REVISIONS OF THE STANDARDS OF GRAP ON TRANSFER OF FUNCTIONS AND MERGERS (GRAP 105 TO GRAP 107)***

6.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Minutes of the project group meetings held in September 2023.
- Analysis of verbal comments received.
- Revised GRAP 105, GRAP 106 and GRAP 107.

6.2 Members NOTED the background to the approval and issue of the Exposure Draft (ED) of proposed revisions to the Standards of GRAP on *Transfer of Functions Between Entities Under Common Control* (GRAP 105), *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106) and *Mergers* (GRAP 107) (ED 204).

6.3 It was NOTED that the Secretariat discussed the comment received, and its proposed responses thereto at two project group meetings held during September. The project group members recommended the revisions to GRAP 105, GRAP 106 and GRAP 107 (the local Standards) to the Technical Committee for its consideration.

*Overview of the consultation process and stakeholders consulted*

6.4 It was NOTED that a Notice was published in the Government Gazette. Awareness about ED 204 was raised through the publication of articles on various ASB social media platforms and informing stakeholders at Forums and events. The Secretariat CONCLUDED that sufficient awareness of ED 204 was raised.

6.5 It was NOTED that the Secretariat held five sessions to discuss ED 204 with preparers, auditors, consultants and other interested parties. No written comment was received.

The Secretariat CONCLUDED that all the stakeholders identified in the project brief had sufficient opportunity to participate in the Board's due process.

*Developing Frequently Asked Questions (FAQs)*

- 6.6 It was NOTED that during the consultation process, stakeholders questioned the meaning of "carrying amount" at which assets acquired or received are initially recognised by an acquirer or combined entity in its financial statements after a transfer of functions or merger. It was NOTED that a similar question was raised on the assumption of liabilities.
- 6.7 Some members QUESTIONED why the asset will be reflected at cost less accumulated depreciation and impairment losses instead of reflecting the three elements separately in the financial statements of the acquirer or combined entity. It was NOTED that reflecting the components separately will better reflect the accounting by the transferor or combining entity. In the case of receivables, the acquirer or combined entity will know exactly what to collect from the debtor.
- 6.8 After some debate, members AGREED that "carrying amount" for assets acquired or received and liabilities assumed should be interpreted to mean cost less accumulated depreciation and impairment losses". These components are reflected separately by the acquirer or combined entity.

**Secretariat**

- 6.9 It was AGREED that guidance be included in GRAP 105 and GRAP 107 instead of developing a Frequently Asked Question (FAQ) as the Standards should explain what the "carrying amount" entails. It was NOTED that the relevant legislative requirements should also be considered.

**Secretariat**

- 6.10 After some debate, Members AGREED with the development of FAQs on:
- (a) When will an asset and/or liability qualify for recognition by an acquirer or combined entity as part of the transfer of functions or merger?
  - (b) What is the difference between a measurement period and transitional provisions?

**Secretariat**

*Summary of comment*

- 6.11 In response to comment 29.2, a member NOTED that not accounting for all assets in a transfer of functions or merger could create an opportunity for fraudulent activities as some assets could get "lost" during the transfer or merger. Other members NOTED the acquirer or combined entity should ensure that sufficient asset control measures are in place to account for all assets acquired or received that meet the criteria. If the acquirer or combined entity will not use some of the assets acquired or received, or use them in a different way, this is a subsequent event that should be accounted for after all the assets from the transfer or merger are accounted for.

*Revisions to the local Standards*

- 6.12 It was NOTED that stakeholders were supportive of the proposed revisions to the local Standards. No significant matters were raised.

6.13 It was NOTED that, prior to the recommendation of the proposed Exposure Draft to the Board, some members were concerned about the detailed additional guidance from IFRS 3 on *Business Combinations* included in GRAP 105. As stakeholders were supportive of this guidance, it was PROPOSED that a summary of the revisions to the local Standards be prepared to explain the revisions in a simplified manner.

6.14 It was NOTED that the Secretariat usually prepares a Feedback Statement to communicate the comment received on an Exposure Draft and how the Board addressed this comment. The Feedback Statement also summarises the main amendments or revisions. It was AGREED that the Secretariat will consider if, and how, it could communicate the revisions in a summarised and simplified way.

**Secretariat**

6.15 Subject to the matters agreed and editorial amendments, members RECOMMENDED the local Standards to the Board for its consideration.

**Secretariat**

#### *Need for re-exposure*

6.16 It was NOTED that no significant matters were raised during the comment process. It was NOTED that the changes to the local Standards after the consultation process are editorial in nature and include changes related to the Due Process Handbook.

6.17 For the amendments proposed to GRAP 105 and GRAP 107, members AGREED that no new principle is included but the additional guidance merely explains the application of an existing principle in response to questions received in the consultation process.

6.18 The Technical Committee AGREED with the Secretariat's recommendation that a re-exposure of ED 204 is not required as:

- (a) no substantial changes were made to the principles proposed in ED 204, such that respondents did not have an opportunity to make their views known before the Board reaches a final decision; and
- (b) no matters not previously deliberated by the Board need to be considered or debated.

**Secretariat**

#### *Next steps and proposed effective date*

6.19 It was NOTED that subject to the recommendation of the Technical Committee, the Board will consider the comment on ED 204 and proposed amendments to the local Standards at its December 2023 meeting.

6.20 It was NOTED that following the approval of the final revisions to the local Standards, a recommendation will be made to the Minister of Finance (the Minister) to determine the effective date. Based on the principles set out in the Board's Due Process Handbook, the earliest proposed effective date is 1 April 2025. However, as it is unlikely that the Minister will approve this effective date by 31 March 2024, the Secretariat proposes an effective date of 1 April 2026.

6.21 Members AGREED with the proposed effective date.

**Secretariat**

## **POST-IMPLEMENTATION REVIEW (PIR) OF THE STANDARD OF GRAP ON STATUTORY RECEIVABLES (GRAP 108)**

6.22 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Minutes of the project group meetings held in October 2023
- Proposed *Invitation to Participate in the Post-implementation Review of the Standard of GRAP on Statutory Receivables (GRAP 108)*.

6.23 It was NOTED that the Board considered feedback from the initial phase of the PIR at its July 2023 meeting. The information gathered in this phase identified specific areas where feedback will be sought from stakeholders in phase two. It was NOTED that the Board will issue an Exposure Draft on *Invitation to Participate in the Post-implementation Review of GRAP 108 on Statutory Receivables* (proposed ED) to request comment from stakeholders as part of phase two.

6.24 It was NOTED that the proposed ED was discussed at two project group meetings held during October 2023. The project group members recommended the proposed ED to the Technical Committee for its consideration.

6.25 It was NOTED that the Secretariat will solicit written feedback from stakeholders through surveys and questionnaires. These surveys and questionnaires will be developed after approval of the proposed ED by the Board.

### *Proposed ED*

6.26 It was AGREED that the questions to preparers be expanded to request examples in illustrating their challenges with GRAP 108.

**Secretariat**

6.27 It was PROPOSED that a question be included to request preparers' views on whether applying two different impairment models could impact users' ability to hold entities accountable and make decisions. Members NOTED that this feedback can be obtained from question P8 and therefore AGREED that a separate question is not needed.

6.28 It was AGREED that a question be included to request stakeholders' views on whether the credit risk and fair value disclosures in GRAP 104 on *Financial Instruments* should be required for statutory receivables. It was AGREED that a paragraph be included to explain these requirements before asking the question.

**Secretariat**

6.29 Subject to the amendments agreed, members RECOMMENDED the proposed ED to the Board for its consideration.

**Secretariat**

### *Next steps*

6.30 It was NOTED that following the approval of the proposed ED by the Board, it will be published early 2024. The comment deadline for the ED is anticipated to be by the end of October 2024.

## **USE OF THE CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING**

6.31 The Secretariat TABLED a memorandum outlining the use of the new Conceptual Framework and issues related to (a) its update, and (b) the updates of existing Standards of GRAP.

### *Use of the Conceptual Framework*

6.32 The Secretariat NOTED that the Conceptual Framework is primarily a tool for the standard-setter to use when developing its pronouncements. The new Conceptual Framework should be used to develop any new pronouncements issued by the Board. How the principles in the Conceptual Framework were applied in developing the pronouncement should be explained in the basis for conclusions.

### *Updates to the Conceptual Framework and existing Standards of GRAP*

6.33 The Secretariat EXPLAINED that the new Conceptual Framework is based on the IPSASB's equivalent. It was also EXPLAINED that revisions (or proposed revisions) were made to both the IPSASB's and IASB's Conceptual Framework since the ASB published its Conceptual Framework. As a result, there are several projects either completed or in progress, at the IPSASB to update its Conceptual Framework and related IPSAS.

6.34 The Secretariat OBSERVED that making the changes to the Conceptual Framework (and any related Standards of GRAP) on a piecemeal basis would be difficult for the local market to track and implement. Any changes should be packaged together in a comprehensive project(s). The timing will need to be determined.

6.35 The Technical Committee SUPPORTED this proposal. Members NOTED that, because the Conceptual Framework is primarily for the Board to use in setting standards, the impact of delaying the changes to the Conceptual Framework and related Standards would be low.

**Secretariat**

6.36 The Secretariat PROPOSED not making any changes to existing Standards of GRAP that are based on IPSAS, until the IPSASB changes the IPSAS. This ensures that both technical and public sector issues are considered, and that resources of the IPSASB are appropriately leveraged.

6.37 The Technical Committee SUPPORTED this proposal. Members NOTED that the memorandum should be updated to indicate that this applies to revisions of Standards either as a whole, or for individual amendments made.

**Secretariat**

6.38 The Secretariat NOTED that an FAQ will be developed to explain how the old and new Conceptual Frameworks should be read with the Standards of GRAP and other pronouncements.

**Secretariat**

## **7. EMERGING ISSUES**

7.1 The Secretariat TABLED a memorandum at the meeting.

7.2 The representative from the OAG PROVIDED the following feedback at the meeting:

- Discussions on the potential regulation of the mSCOA AFS template continue within the National Treasury. Although the OAG does not support the regulation of the template in principle, there may be benefits to regulating the face of the statements, such as uniform information for decision making and consolidation purposes. Should there be agreement in National Treasury to move forward with the initiative, the budget regulations and format would need to be amended to align closer with the Standards of GRAP. A member ASKED about the timelines of the initiative. It was NOTED that it will likely be progressed in 2024/25.
- The progress with various requests for exemption from the Standards of GRAP – as a framework and specific requirements of the Standards – was NOTED. It was NOTED that the OAG’s position is to not recommend exemptions, unless there is clear and specific justification for it.
- The OAG is progressing proposed amendments to the PFMA and MFMA and plan to issue these as an omnibus. It was NOTED that the ASB would be expected to comment on the proposed amendments.
- Further queries related to the accounting for INEP and RBIG grants were NOTED. It was NOTED that the queries also relate to the application of GRAP 109 on *Accounting by Principals and Agents* and GRAP 11 on *Construction Contracts*. Members AGREED that as an outcome of the post-implementation review of GRAP 109, awareness should be raised of the application of GRAP 11.

#### **Secretariat**

7.3 The Secretariat PROVIDED an update from the Research Group. The following key issues were discussed at its last meeting:

- Making a pool of funding available for accounting and reporting research – The UNISA Foundation has an agreement to do research for the National Treasury on governance matters. Members discussed how or if this could be expanded to include accounting and reporting-related research. The Secretariat will liaise with the National Treasury.
- “Public sector handbook” – Professor Ilse Lubbe at the University of Cape Town has been working on developing a handbook that will bridge the gap between the basic information taught about the public sector at tertiary institutions and practice. Several of the members on the Research Group have indicated a willingness to contribute to the handbook. Discussions were held with SAICA, but it may be worthwhile exploring options with other professional bodies (for example, SAIGA) and organisations (for example, the World Bank).
- Research on assets – Members acknowledged the need for research on the management of, and governance over, assets. It was suggested that it may be ideal for a group of students to work together on assets and deal with different aspects, for example, asset management, governance, budgeting, accounting and reporting.

## **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.

*Continuation of the ASB*

8.2 The Secretariat NOTED concerns with the continuation of technical projects when Board members' term come to an end in February 2024. The Technical Committee RECOMMENDED to the Board that the comment on ED 205 *Social Benefits* and final Standard on *Social Benefits* be brought to the Board for approval in July 2024, instead of March 2024.

**Secretariat**

*Work programme 2023/24*

8.3 The Secretariat PROVIDED feedback on the progress of the technical projects, and the Secretariat's involvement in the IPSASB's projects.

*Composition of the Technical Committee*

8.4 The Technical Committee CONFIRMED that the composition of the Technical Committee is appropriate for the February 2024 meeting.

*Projected performance for the quarter ending 31 December 2023*

8.5 The Secretariat NOTED that it is expected that the quarterly performance targets will be achieved, with the exception of the review of the results of the post-implementation review of GRAP 109 (ED 200). The Board previously approved extending the review of the results by one quarter from December 2023 to March 2024. It was NOTED that, should the Board approve the extension of the consultation period on ED 205, the annual target for indicator "*Number of pronouncements issued as identified in the work programme for the year*" will not be met.

**9. INTERNATIONAL STANDARD-SETTING ACTIVITIES**

9.1 The Secretariat NOTED the dates of the IPSASB's December 2023 meeting. It was NOTED that the check-in meetings are likely to be used as education sessions for the IPSASB for the foreseeable future.

9.2 The Secretariat's involvement in IPSASB Exposure Drafts was NOTED.

**10. GENERAL**

10.1 The Secretariat NOTED the following regarding the evaluations of the Board and its subcommittees:

- The timing of detailed evaluations should be brought forward to year 2, instead of year 3. This allows members and committees time for corrective action, should it be necessary. Furthermore, the information value of the detailed assessment in year 3 is low since members' terms end after 3 years.
- The content of the evaluations should be reconsidered.



- An assessment is not deemed necessary at this stage since the submission to reappoint members that are eligible was already made to the Minister.

10.2 The Secretariat THANKED all members for their valued contributions during their terms.

**11. FUTURE MEETINGS**

It was NOTED that the next meeting is scheduled for 22 February 2024.

**12. CLOSING**

Members were THANKED for their participation in the meeting. The meeting was CLOSED at 11:15.

<b>Prepared by:</b>	<b>E van der Westhuizen</b>	<b>13 November 2023</b>
<b>Reviewed by:</b>	<b>D Dlamini</b>	<b>XX November 2023</b>
<b>Issued:</b>	<b>XX XX 2023</b>	

