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## **MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 9 SEPTEMBER 2024**

### **ATTENDANCE**

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

**CHAIRPERSON** S Gcwabe (away from 13:00 to 14:00)

#### **BOARD REPRESENTATIVES**

A Carstens

R Small

A van der Burgh (away from 11:00 to 12:30)

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

M Mentz

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

L Bodewig

#### **REPRESENTATIVE OF THE ASB**

J Poggiolini

#### **OBSERVER**

W de Jager

#### **EX OFFICIO**

A Botha Project Manager

N Imam-Shah Project Manager

S Nondlazi Project Manager

E van der Westhuizen Head of Technical

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,  
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Ms L Senne, Prof R Small,  
Chief Executive Officer: Mrs J Poggiolini

**1. WELCOME AND APOLOGIES**

Members were WELCOMED to the meeting. Apologies were NOTED from A Hardien and L Senne.

**2. CONFIRMATION OF THE AGENDA**

The agenda was CONFIRMED, with the addition of item 6.1 on *Feedback from an engagement with the Deputy Minister of Finance*.

**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. APPOINTMENT OF THE DEPUTY-CHAIRPERSON**

4.1 Members CONSIDERED the appointment of a deputy-chairperson and AGREED to postpone the appointment to the next meeting when all members eligible for appointment are present.

**Members**

4.2 It was AGREED that the Secretariat will chair this meeting during the period that the chair is unavailable.

**Secretariat**

**5. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 4 July 2024 were TABLED and APPROVED.

**Secretariat**

**6. MATTERS ARISING**

6.1 The Secretariat TABLED a memorandum on the matters arising from previous meetings. *Feedback from an engagement with the Deputy Minister of Finance*

6.2 The Secretariat PROVIDED the following feedback from an engagement between the Chair and CEO of the ASB and the Deputy Minister of Finance – Mr. Sarupen:

- Departments not applying Standards of GRAP: The Deputy Minister enquired about the reasons and process. It was agreed that the Secretariat will work closely with the Office of the Accountant-General to transition them onto GRAP.
- Sustainability reporting: The mandate for developing local sustainability reporting standards was discussed.
- ASB resources: The need for an additional staff member was highlighted to the Deputy Minister, to which he responded positively. The Secretariat will work with the Public Entity Oversight Unit to pursue this further. Members NOTED that sustainability reporting and the support departments will need to transition to Standards of GRAP are good motivators for this request.

6.3 It was NOTED that there will be bi-annual meetings with the Deputy Minister going forward.

## 7. TECHNICAL MATTERS

### **REVIEW OF RESPONSES TO ED 208 AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK AND APPROVE THE REPORTING FRAMEWORK FOR 2025/26**

7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Analyses of verbal and written comment received on ED 208
- Final Directive on *Determining the GRAP Reporting Framework and Reporting Framework* for 2025/26
- Mark-up Directive on *Determining the GRAP Reporting Framework and Reporting Framework* for 2025/26 (for information purposes)
- Full Reporting Framework (for publication on the website)
- Communication on Reporting Framework (for information purposes)

7.2 The Technical Committee DISCUSSED the following:

- *Conflict in definitions:* A conflict exists between the definition of “Standards of GRAP” in GRAP 3 and Directive 5. It was NOTED that GRAP 3 includes all pronouncements issued by the ASB, whereas Directive 5 refers only to the Standards of GRAP. Members CONCLUDED that the Directive should specify that the definitions provided in the Directive are intended solely for the purpose of Directive 5 and not for other Standards.

**Secretariat**

- *Inconsistent use of the term “Standards of GRAP” across the suite of pronouncements:* In some instances this term refers to all pronouncements issued by the ASB while in other instances it refers to certain pronouncements. Members CONCLUDED that the use of “Standards of GRAP” should be considered in a broader project such as the improvements project.

**Secretariat**

- *The status of different pronouncements issued by the ASB:* Members CONCLUDED that guidance needs to be developed outside the Directive to clarify the pronouncements for which the Minister of Finance approves the application and the pronouncements that the Board approves. This guidance should explain the status of each pronouncement and specify who approves the effective date.

**Secretariat**

- *The need for clarification regarding the effective date of Interpretations:* Members CONCLUDED that the Application Guidance to the Directive should indicate that the application of Interpretations is aligned with the related Standard.

**Secretariat**

- *The need to provide feedback to stakeholders regarding the impact of transitional provisions when developing accounting policies:* Members CONCLUDED that the Directive should include a basis for conclusions paragraph to explain the application of transitional provisions.

**Secretariat**

- 7.3 The Technical Committee DISCUSSED the importance of including context on the type of stakeholders who provided comment during public consultations in the memorandum to the Technical Committee. This context assists the Technical Committee to understand the issues documented by the Secretariat and assess the pervasive nature of the issues. Members EMPHASISED the need for the Technical Committee to consider only pervasive issues rather than entity specific issues to ensure that the Standards are suitable for application by all stakeholders.
- 7.4 The Technical Committee RECOMMENDED the Directive and GRAP Reporting Framework to the Board for approval.

**Secretariat**

***REVIEW OF REVIEW REPORT ON POST-IMPLEMENTATION REVIEW OF GRAP 109 ON ACCOUNTING BY PRINCIPALS AND AGENTS***

- 7.5 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat
  - Draft Review Report on *Post-implementation Review of GRAP 109 on Accounting by Principals and Agents*
- 7.6 The Secretariat NOTED the background to the Review Report.  
*Draft Review Report*
- 7.7 A member PROPOSED that the last sentence under “other actions” on page 9 should be removed. The OAG guidelines on infrastructure grants are sound in principle and the Review Report should not give the impression that amendments are needed. The Review Report should be used to create awareness of the guidelines that exist.

**Secretariat**

- 7.8 A member ASKED what the real issue is in the environment as stakeholders continue to raise concerns with the existing guidance, however, the guidance is principle-based.
- 7.9 Members SHARED their experiences and NOTED that the issues primarily relate to the treatment of VAT. Stakeholders who previously had an incorrect interpretation of the Standard also treated the VAT incorrectly. The correct interpretation has retrospective VAT implications and retrospective amendments required to the financial statements, which stakeholders want to avoid. Members AGREED that the principles in the Standard are correct and entities should account for the economic substance of their arrangements in the financial statements so as to be transparent and accountable. It

was also NOTED that the ASB should focus its resources on the Standards and not attempt to resolve issues outside the Standards.

7.10 It was NOTED that the Deputy Minister of Finance raised a concern with the VAT treatment in principal-agent and similar arrangements. The Minister of Finance responded to a request from a province to amend the VAT legislation.

7.11 Members RECOMMENDED the Review Report 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 there will be a new entity established – the South African National Water Resource Infrastructure Agency SOC Limited – which may take over some, if not all, of the activities of the Trans-Caledon Tunnel Authority.

8.3 A member RAISED concerns about the Board and delivery on its legislative mandate in terms of section 89 of the PFMA. The member EXPLAINED that the Board should determine the reporting framework for departments. As departments apply the Modified Cash Standard (MCS) issued by the OAG, this may contradict the legal obligations of the Board outlined PFMA . The member NOTED that the concerns will be raised again at the Board meeting. They will include whether the Board has:

- prepared and published directives and guidelines relating to the application of Standards of GRAP by departments; and
- recommended to the Minister effective dates of implementation of Standards of GRAP for departments.

## **9. ADMINISTRATION**

### ***WORK PROGRAMME AND PROJECTED PERFORMANCE 2024/25***

9.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Work programme for 2024/25.
- Monitoring convergence with the IPSASB.
- Enhancing the Application of Standards of GRAP 2024/25 workplan.
- GRAP 104 Reference Group workplan

### *Work programme 2024/25*

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

9.3 The Technical Committee SUPPORTED the postponement of the approval of the Exposure Draft on amendments to GRAP 109 *Accounting by Principals and Agents* to the first meeting of 2025/26.

**Secretariat**

9.4 Members SUPPORTED the Secretariat's proposed approach for the IPSASB EDs on natural resources and climate-related disclosures.

**Secretariat**

*Composition of the Technical Committee*

9.5 The Technical Committee CONFIRMED that no skills need to be co-opted for the December 2024 meeting.

**Secretariat**

*Projected performance for the quarter ended 30 September 2024*

9.6 The Secretariat NOTED the projected performance for the quarter. It was NOTED that two targets are projected to not be achieved.

9.7 With regards to indicator "No. of international board meetings attended (virtually or physically)", the Secretariat EXPLAINED that the target of one meeting per quarter was based on the traditional quarterly meetings. In recent years mid-quarter check-in meetings have become established practice although they are not guaranteed to be held. It was AGREED that, for 2024/25, the attendance of the check-in meetings should be noted in the performance report as it requires additional resources of the ASB and provides additional opportunities to influence the IPSASB's work. The Secretariat should consider changing the indicator to a percentage for 2025/26 since the check-in meetings are not guaranteed.

**Secretariat**

**WORK PROGRAMME 2025/26**

9.8 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed project brief on Review of GRAP 18 on *Segment Reporting*
- Proposed project brief on *Transfer Expenses*
- Proposed project brief on *Improvements to the Standards of GRAP, 2026*
- Proposed project brief on Amendments to GRAP 109 on *Accounting by Principals and Agents*
- Proposed amendments to the project brief on *Measurement*

*Review of GRAP 18 on Segment Reporting*

9.9 The Secretariat PRESENTED an overview of the project to the Technical Committee.

9.10 The Technical Committee NOTED the following on the "Key issues to be considered":

- The path in deciding when GRAP 18 is applicable may be complex for entities to apply. The project should consider whether guidelines that determine which type of entities should apply the Standard versus which type of entities are not required to apply the Standard will be more appropriate for GRAP 18.
- The project should consider whether cross-referencing information as required by GRAP 18 in other parts of the general purpose financial report dilutes the importance of the information presented.

- The usefulness of segment reporting should be evaluated to determine whether users deem the information disclosed to be important for their decision-making. Attention should be given to whether providing segment reporting information for the Statement of Financial Position is important, as preparers seem to provide better information on the amounts presented in the Statement of Financial Performance.

**Secretariat**

*Transfer Expenses*

9.11 The Technical Committee DISCUSSED the following examples of different accounting treatments for transfer expenses:

- Differences in the treatment of transfer expenses between departments and municipalities and the impact of these differences.
- Interlinkages between IFRS and GRAP in the treatment of transfer expenses will affect entities that are adopting GRAP for the first time.
- Differences in the treatment of cash versus in-kind expense transactions.
- Differing treatment of capital injections as equity while others treat these transactions as grants received.
- Inconsistencies in the accounting treatment of Development Bank of Southern Africa (DBSA) loans and transfers paid to entities.

9.12 The Technical Committee AGREED that the impact and urgency of the project should be assessed as medium rather than low.

**Secretariat**

9.13 The Secretariat was REQUESTED to consider a guideline developed by the OAG and AGSA that explains when it would be appropriate for entities to recognise an asset for funds transferred, particularly around the social sector i.e. Sector Education and Training Authority (SETAs). The guideline is based on the Conceptual Framework.

**Secretariat**

*Improvements to the Standards of GRAP, 2026*

9.14 Members DISCUSSED the inclusion of recent narrow-scope IASB pronouncements in the improvements project and concluded to incorporate a project on the impact of sustainability-related matters in the financial statements in the 2027 to 2029 work programme consultation. The specifics around the classification of green financing in the financial statements should be discussed in the next GRAP 104 Reference Group meeting scheduled for December 2024.

**Secretariat**

9.15 Members OBSERVED that the key issues to be considered section does not refer to any specific agenda decisions by the IFRS Interpretations Committee. The Secretariat NOTED that it will do a thorough review of all decisions since the previous Improvements project when the project commences.

**Secretariat**

*Amendments to GRAP 109 on Accounting by Principals and Agents*

9.16 The project brief on Amendments to GRAP 109 on *Accounting by Principals and Agents* was NOTED.

*Amendments to the project brief on Measurement*

9.17 The proposed amendment to the timelines of the project on *Measurement* was NOTED.

9.18 Members RECOMMENDED the project briefs to the Board for approval.

**Secretariat**

9.19 It was NOTED that the targets for the 2025/26 APP have tentatively been based on the indicators in the 2024/25 APP. Although they are subject to change once the 2026 to 2029 strategy is finalised, it is not anticipated that there will be any significant amendments from 2024/25 to the indicators.

9.20 A member ASKED why the ASB works towards a three-year work programme when the strategy is for a five-year period. The Secretariat AGREED that ideally the period of the work programme should align with the strategy. The Secretariat EXPLAINED that the previous response from stakeholders on the period of the work programme was that a five-year period would be too long. Experience from other standard-setters that have longer work plan periods showed that it can be difficult to deliver on a plan agreed so far in advance. A further reason for a shorter work programme period is that the work programme is aligned to the MTEF period, which allows the plan to be based on the ASB's confirmed resources. It was NOTED that the strategy can be changed mid-period if needed, based on the work programme consultation.

9.21 The Technical Committee RECOMMENDED the indicative work programme for 2025/26 and APP targets to the Board for approval.

**Secretariat**

**WORK PROGRAMME CONSULTATION 2027 TO 2029**

9.22 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Draft Work programme Consultation 2027 to 2029

9.23 The Secretariat EXPLAINED the proposed theme for the work programme and the process followed to develop the consultation document. The list of projects considered for inclusion was NOTED and members SUPPORTED the proposal on how the question for international alignment projects is framed.

9.24 Members REVIEWED the work programme consultation. From the discussion on the project brief on *Improvements to Standards of GRAP 2026*, an additional paragraph will be added to the section on sustainability reporting for a potential project on the impact of sustainability-related matters in the financial statements.

**Secretariat**

9.25 It was NOTED that a discussion at the Board on the ASB's role in departments applying the MCS may lead to further changes to the work programme consultation.



9.26 Members REFLECTED on the work load that could arise for the Secretariat in the next work programme from the consultation. They ADVISED the Secretariat to not overburden the work programme and allow time to pause and think, which is a critical part of the Secretariat's work. It was AGREED that the Secretariat will carefully consider its capacity in finalising the work programme after the consultation process, and will be careful when consulting on the work programme to not create any different expectations with stakeholders.

**Secretariat**

9.27 It was NOTED that the responses to the work programme consultation in relation to the Secretariat's capacity could be useful information for the request to the Minister of Finance for additional staff resources.

9.28 Subject to the above, members RECOMMENDED the work programme consultation to the Board for approval.

**Secretariat**

### ***REVIEW OF TECHNICAL POLICIES***

9.29 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

9.30 The Secretariat NOTED that it reviews the sufficiency and appropriateness of the Due Process Handbook, Procedure Manual and other technical policies annually, even though some policies may require less frequent review. The Secretariat SUGGESTED that the frequency of review of the policies be aligned to practice to require annual review.

**Secretariat**

9.31 Members REVIEWED the proposed amendments to the policies and RECOMMENDED them to the Board for approval.

**Secretariat**

## **10. INTERNATIONAL STANDARD-SETTING ACTIVITIES**

The Secretariat NOTED the upcoming meeting from 17 to 20 September 2024 and NOTED the concurrent Exposure Draft published as ED 210.

## **11. GENERAL**

The Secretariat and Chair THANKED all members for their contributions.

## **12. FUTURE MEETINGS**

It was NOTED that the next meeting is scheduled for 14 November 2024. It was NOTED that the date clashes with the SAICA National Public Sector Committee meeting, which some members are part of. The Secretariat will clarify the date with SAICA and communicate any changes to members, should it be necessary.

**Secretariat**

## **13. CLOSING**

Members were THANKED for their participation in the meeting. The meeting was CLOSED at 15:00.

**Prepared by: E van der Westhuizen 10 September 2024**

**Reviewed by: S Gcwabe 14 November 2024**

**Issued:**