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**MINUTES OF THE TECHNICAL COMMITTEE MEETING OF THE
ACCOUNTING STANDARDS BOARD HELD VIRTUALLY ON 23 FEBRUARY
2023**

CHAIRMAN

D Dlamini (until 11:00)

A van der Burgh (from 11:00 until 12:45)

MEMBERS OF THE COMMITTEE

BOARD REPRESENTATIVES

C Braxton

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 Project Manager

Board Members: Mr C Braxton (Chair), Mr D Dlamini, Ms W de Jager, Ms K Maree,
Ms P Moalusi (Deputy-Chair), Ms A Muller, Ms N Themba, Mr A van der Burgh
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 without amendment.

3. DECLARATIONS OF INTERESTS

Members were ASKED to indicate if they had any 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 8.11 – The word “Committee” should be added.
- Paragraph 8.12 (3rd line) – the word “is” should be changed to “are”.

Secretariat

5. MATTERS ARISING

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

5.2 A member INDICATED that they are dissatisfied that the trilateral parties have not met. The Secretariat NOTED that the parties agreed to revisit the Terms of Reference and meet in March 2023.

5.3 A member ASKED about the link on SAIPA’s website to the ASB. The Secretariat EXPLAINED that requests were made, but no response was received. The Secretariat AGREED to follow-up and provide feedback at the next meeting.

Secretariat

TECHNICAL MATTERS

AMENDMENTS TO THE STANDARDS OF GRAP ON TRANSFERS OF FUNCTIONS AND MERGERS

6.1 The following were TABLED at the meeting:

- Memorandum from the Secretariat.
- Minutes of the project group meetings held in February 2023.
- Proposed Amendments to the Standard of GRAP on *Transfers of Functions Between Entities Under Common Control*.
- Proposed Amendments to the Standard of GRAP on *Transfers of Functions Between Entities Not Under Common Control*.
- Proposed Amendments to the Standard of GRAP on *Mergers*.
- Proposed Invitation to Comment (ITC) on Revisions to the Standards of GRAP on *Transfers of Functions Between Entities Under Common Control*

(GRAP 105), *Transfers of Functions Between Entities Not Under Common Control* (GRAP 106) and *Mergers* (GRAP 107).

- Project brief (for information purposes).
- 6.2 It was NOTED that, following a comparison of IPSAS 40 and GRAP 105, GRAP 106 and GRAP 107 (the local Standards), the Board agreed that the local Standards should be amended by:
- including additional, authoritative guidance from IPSAS 40, where applicable;
 - retaining guidance in the GRAP Standards that are not included in IPSAS 40 where this remains relevant; and
 - including any amendments made to IFRS 3 on *Business Combinations*, after the publication of IPSAS 40.
- 6.3 It was NOTED that project group members considered the proposed revisions to the local Standards and the proposed ITC at two project group meetings held in February 2023. Project group members recommended the proposed pronouncements to the Technical Committee for its consideration.

Reference to qualitative characteristics in developing IPSAS

- 6.4 It was NOTED that, in updating the local Standards with IPSAS 40, it was observed that the IPSASB refers to some qualitative characteristics in its Conceptual Framework in the objective paragraph of IPSAS 40. The IPSASB followed a similar approach in recent pronouncements issued, such as the IPSAS on *Social Benefits*.
- 6.5 It was NOTED that, even though the local Conceptual Framework is aligned with that of the IPSASB Conceptual Framework (except for the recent changes), to date, the Board has not debated if a similar approach should be adopted in developing local Standards.
- 6.6 Members DEBATED if a similar approach should be followed locally. It was NOTED that the qualitative characteristics should be used by standard-setters when developing pronouncements. The Standards should not list the qualitative characteristics. Instead, a Standard should define the objective of the Standard, and prescribe the recognition, measurement, presentation and disclosure requirements.
- 6.7 It was AGREED that a paper should be drafted on the matter for discussion by the Board for its July 2023 meeting. This paper could explain the rationale for the IPSASB to include references to the qualitative characteristics in its Conceptual Framework.

Secretariat

- 6.8 It was also AGREED that until a decision is made about the references to the qualitative characteristics in local Standards, references to the qualitative characteristics and/or any principles in the Conceptual Framework should be excluded from pronouncements.

Secretariat

- 6.9 It was also QUESTIONED when the footnote reference to the Board's Conceptual Framework will be deleted from the Standards of GRAP. It was proposed that this could form part of the discussion in the paper to the next meeting.

Secretariat

Guidance from IFRS 3

- 6.10 It was NOTED that the revisions to the local Standards include amendments to IFRS 3 after the publication of IPSAS 40. Guidance was included in the local Standards on (a) an optional test (the concentration test) to be applied to assess if a transferred set of activities and assets, and/or liabilities is not a function; and (b) assessing if a transferred process is substantive if the transferred set of activities, and assets and/or liabilities does not have outputs.
- 6.11 It was NOTED that the Secretariat was initially of the view that this guidance should only be included in GRAP 106, as it is more relevant where an external acquisition occurs. Project group members were of the view that the guidance should be included in both GRAP 105 and GRAP 106. This is because it was observed that entities are sometimes unsure if a transaction is a transfer of functions. It was also NOTED that project group members observed that the concentration test is optional.
- 6.12 Some members NOTED that the guidance is too complex, and that, to date, no concerns were noted on identifying a function. The inclusion of the guidance may result in practical application challenges. It was NOTED that during the project group discussions, members indicated that some challenges were noted on identifying a function, specifically at municipalities and municipal entities. After some debate, it was AGREED that the guidance should be retained. Members also AGREED with the inclusion of a question in the ITC.

Secretariat

- 6.13 It was DEBATED how the text could be simplified. After some consideration, it was AGREED that the guidance on both the optional test and assessing if a transferred process is substantive, should be included as application guidance. A flow chart should also be developed to explain the link between the optional test and assessing if a transferred process is substantive.

Secretariat

Illustrative examples

- 6.14 It was NOTED that project group members supported the inclusion of relevant illustrative examples from IPSAS 40 and IFRS 3 in the local Standards. It was NOTED that even though the principles that are illustrated by these examples do not always relate to new guidance included in the Standards, these examples are available internationally.
- 6.15 Members AGREED with the inclusion of the illustrative examples and the question to stakeholders in the ITC.

Proposed revisions to GRAP 105, 106, 107

- 6.16 It was QUESTIONED if the objective of the revisions is to only include additional guidance from IPSAS 40, or to also address other practical issues.

It was NOTED that some entities have experienced challenges in determining the transfer date.

- 6.17 It was NOTED that the objective of the revisions is not to address other issues. It was CONCLUDED that the challenge with determining the transfer date is not a standard-setting issue. It was AGREED that the Secretariat should rather work with the OAG to address the issue by either adding additional guidance in the GRAP Accounting Guide, or by developing a Frequently Asked Question.

Secretariat

Revisions to GRAP 105

- 6.18 It was QUESTIONED why “acquired” was deleted from the text in GRAP 105. It was NOTED that this amendment was made as a transfer of functions may not necessarily involve an acquisition. After some debate, it was AGREED that reference should rather be made to “acquired or received”.

Secretariat

- 6.19 It was QUESTIONED how the criterion in paragraph .15D(b) relating to a workforce that has the necessary skills, knowledge and experience will be demonstrated. It was AGREED that even though an example has been included as part of the illustrative examples to illustrate this criterion, further clarification should be included in this paragraph.

Secretariat

- 6.20 It was AGREED that the guidance from GRAP 106.14A should be included in GRAP 105.

- 6.21 Members AGREED the following additional amendments:

- Diagram – the question in the first block should be amended to ask a question about assets received or acquired and the liabilities assumed.
- Amended headings – the amended headings should be reconsidered as sometimes the text that follows does, or does not, deal with a specific aspect. For example, in the heading to paragraph .35 “measurement” is deleted, but the text to follow includes guidance on the measurement of assets received, liabilities assumed and any non-controlling interests.
- Amend “profit” to “gain”.
- The reference to “carrying amounts of the gross carrying value of the assets” should be reworded to using similar phrasing as IFRS 3.
- Paragraph .12(c) – the struck through text should be retained.
- Paragraph .12A – amend the heading to reflect the negative – “...to assess if a transferred set of activities, assets and/or liabilities is not a function”.
- Paragraph .30(aA) – reference should be made to “future economic benefits and service potential”.
- Paragraph .38A – replace “sometimes” with “often” and delete the last sentence as it is not relevant to the public sector.

- An illustrative example should be included to illustrate how the gross carrying value of an asset, in applying the concentration test, is calculated.
- Where applicable, the illustrative examples should be amended to specifically conclude on whether the optional test is met or not.
- IE 30 – delete the paragraph as it repeats the principles in the Standard.

Revisions to GRAP 106

- 6.22 Members AGREED that the reference to “gross fair value of the assets” in the guidance on the optional test should be amended to “fair value of the gross assets”.

Revisions to GRAP 107

- 6.23 Members AGREED that the disclosure in paragraph .43A, that requires the combined entity to disclose certain information when the merger date is after the end of the reporting period but before the financial statements are authorised for issue, be deleted. This disclosure requirement should be required for the combining entities.

Secretariat

- 6.24 Some editorial comment was NOTED.

Proposed ITC

- 6.25 Members AGREED that a question should be included to ask respondents' views on the Board's decision to retain a two year measurement period and its decision to not recognise goodwill as in IPSAS 40.

- 6.26 Members AGREED the following additional amendments:

- Paragraph 7 and the Annexure – clarify that the comparison summarises the significant differences and similarities between IPSAS 40 and the local Standards prior to the proposed revisions.
- Specific Matter for Comment 5 – in addition to asking input on quantitative financial costs, input should also be requested on time and resource costs.

Secretariat

- 6.27 Some editorial comment was NOTED.

- 6.28 Subject to the matters agreed, the Technical Committee RECOMMENDED the proposed pronouncements and ITC to the Board for its consideration.

Secretariat

- 6.29 It was NOTED that if the Board approves the ITC and Exposure Drafts of the revisions to the local Standards at its March 2023 meeting, the Exposure Drafts will be issued for comment for a period of three months until mid-July 2023. As per the Board's work programme, comment on the Exposure Draft will be considered at the November 2023 Technical Committee and Board meetings.

ENHANCING THE APPLICATION OF THE STANDARDS OF GRAP

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

- 7.2 Members NOTED the following comments on the plan:

- Individuals can register for notifications on YouTube. It was observed that the content on the ASB's YouTube channel is currently set as being kids-related content. This setting needs to be updated by the administrator.
- The Newsletter could be used to raise awareness about content added to the website or published elsewhere.
- Producing executive summaries on the final Standards of GRAP would be helpful.

7.3 A member EXPLAINED that other standard-setters publish "staff alerts" when important issues arise. The ASB could consider whether publishing similar alerts would be useful for stakeholders.

Secretariat

7.4 A member ASKED about the number of items on the plan for YouTube and the duration of each video. The Secretariat EXPLAINED that, based on feedback from stakeholders that publish similar content, the videos should be fairly short, i.e., 15 minutes or less. The length of the videos would depend on the nature of the topic.

7.5 The Secretariat NOTED that the plan would need to respond to users' needs and may be amended during the year depending on what is topical and how stakeholders engage with the content.

7.6 The Technical Committee SUPPORTED the plan.

PROPOSED RESEARCH ACTIVITIES

- 8.1 The Secretariat TABLED a memorandum and potential research topics.
- 8.2 Members AGREED to provide the Secretariat with their prioritisation of the topics along with other comments on the projects.
- 8.3 A member OBSERVED that some of the topics are beyond the ASB's mandate. The Secretariat NOTED that this was intentional and this intent is described in the Terms of Reference of the Research Group.
- 8.4 A member EXPLAINED that it is often the case with research that what is described in the "Call for Papers" and what academics describe in their research proposals are inconsistent. It might be useful if the ASB could be involved in reviewing the research proposals.
- 8.5 It was AGREED that the ASB's Procedure Manual should be updated to indicate that the initial steps of a project should consider whether any relevant academic research exists.

Secretariat

PROPOSED IPSAS ON CONCESSIONARY LEASES AND RIGHT-OF-USE ASSETS IN-KIND

- 9.1 The Secretariat SHARED an overview of the principles in IPSAS 43 on *Leases* and the IPSAS Exposure Draft (ED) on *Concessionary Leases and Right-of-Use Assets In-kind* (local ED 203).
- 9.2 Members, in general, SUPPORTED the proposed principles. The following comments were NOTED:

- If there is no agreement between the lessor and lessee, an entity will not be able to apply the principles in IPSAS 43. From practice it was noted that in a number of instances, entities do not have written arrangements in place. Determining the right-of-use period under these circumstances will be challenging.
- The conditions that will result in the initial recognition of the concessionary component of the lease for the lessee as a liability, rather than revenue, will be determined based on the use of the asset. For example, if a lessee is required in terms of the arrangement to use the asset in a specific manner, revenue can only be recognised if the conditions in the arrangement are met.
- Guidance should be provided on how to account for the concessionary component of a lease by the lessor.
- The ED proposes that when payments for the lease at market rates based on the current use of the underlying asset are not available, concessionary leases and right-of-use assets in-kind may be measured at the present value of the contractual payments as at the commencement date of the lease. The guidance should be specific to avoid entities applying the alternative without taking reasonable action to determine the market rate based on the asset's current use.

9.3 It was NOTED that once the IPSASB has issued the new IPSAS dealing with revenue, guidance will be available on how to account for an arrangement where there is no agreement. Similarly, once the IPSAS dealing with transfer expenses is issued guidance will be available to the lessor to account for the concessionary component in the lease.

EMERGING RISKS

10.1 The Secretariat TABLED a memorandum at the meeting.

10.2 The Secretariat NOTED the following:

- SARS received additional funding for ICT projects in the budget for 2023/2024.
- The Accounting Forum supported the development of FAQs for certain IFRS IC decisions.
- The submission to the Minister of Finance for the effective date of the amendments to GRAP 1 related to going concern is being developed.
- The GRAP 104 Reference Group's discussion will mainly focus on VAT for the next meeting. It was also NOTED that a successful bidder was identified and that a meeting would be held with them shortly.

WORK PROGRAMME AND PROJECTED PERFORMANCE

11.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Work programme for 2022/23.
- Monitoring convergence with the IPSASB.

11.2 The Secretariat NOTED the following:

- The performance for the year would be affected by the projects on social benefits and education material for users.
- The targets for the Annual Performance Plan for 2023/24 were updated to accommodate new time frames for the post-implementation review for principals and agents, and social benefits.

FEEDBACK FROM THE IPSASB

12. A van der Burgh PROVIDED an oral update on the key highlights of the IPSASB's December 2022 meeting.

CLOSING REMARKS

13. Members were THANKED for their participation in the meeting. The meeting was CLOSED at 12:45.

Prepared by:	J Poggiolini	3 March 2023
Reviewed by:	A van der Burgh	22 March 2023
Issued:	DDMMYYYYY	