

Board actions following the Post-implementation Review of GRAP 103 on *Heritage Assets*





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.





Background

- ED 180 on the Post-implementation review (PIR) on GRAP 103 closed 15 September 2020
- Comment and proposed actions considered and agreed by ASB December 2020
- Timelines to address SA specific matters:
 - Communication to stakeholders → Progress report
 - Develop or revise FAQs → September 2021
 - Amendments to GRAP 103 → ED September 2021





IPSASB Projects

(a) Amendments to IPSAS 17 *Property, Plant and Equipment*

- address lack of international public sector guidance on heritage assets through application and implementation guidance

(b) New IPSAS on *Measurement*

- provide guidance on initial and subsequent measurement of asset and liabilities and measurement disclosures
- define measurement bases and provide guidance on how these should be applied



Comment received and actions for Board or Secretariat





General observations

Users

- Support reporting of heritage assets under GRAP 103
- Some emphasised challenges experienced by preparers with implementation of GRAP 103

Preparers

- GRAP 103 had positive effect on way in which heritage assets are managed and preserved
- Cost of implementing GRAP 103
- Skill and capacity shortages





General observations

Preparers:

- Proposal to develop Reporting Framework for smaller entities
- Disagreements with auditors
 - non-reliance on valuations by curators and/or internal experts
 - request to provide three valuations
(to be addressed with relevant stakeholders)





Classification of h/a as separate asset category

Users

- Confirmed that separate classification provides useful information – is mechanism to ensure preservation
- Preparers apply different criteria to assess if asset should be recognised as h/a – may result in different classifications of similar h/a
- Increased risk of theft – info publicly available





Classification of h/a as separate asset category

Preparers

- Challenges to assess if asset meets definition of h/a:
 - Difficult to practically apply principles in GRAP 103
 - Employees unqualified to make assessment → use experts
 - Future generation's expectations differ from management's current assessment
 - Takes time to assess if definition of h/a is met
 - Various practical application issues





Classification of h/a as separate asset category

Proposed action

(a) New FAQs

- to address security risk issue
- clarify that classification of asset as a h/a should be based on how asset is current used

(b) Expand existing FAQ on specimens collected for research

- items still to be evaluated can only be accounted if def of asset is met
- recognising items at R1 is inappropriate





Classification of h/a as separate asset category

Proposed action

- (c) Engage with DAC and SAHRA to develop
 - simplified guidance to be applied by all employees not familiar with GRAP 103
 - centralised database to be used by entities with similar types of h/a
- (d) Inform DAC and SAHRA on comments re co-ordinated approach and standardised conservation policies
- (e) Engage with OAG to provide guidance in GRAP Guide





Legislative designation versus accounting of h/a

- Stakeholders supported disclosure of h/a designated in legislation but not accounted for in GRAP 103
- Proposal to better align description of heritage resource in legislation with definition of h/a in GRAP 103
- Need for guidance where heritage resource was designated as such in legislation but entity concludes such designation is inappropriate





Legislative designation versus accounting of h/a

Proposed action

- (a) Discuss with NT how disclosure for h/a designated not accounted for may be included in other general-purpose financial statements
- (b) Review def of h/a in GRAP 103 to enhance with legislative description
- (c) Expand FAQ about differences between accounting and legislation – continue to apply GRAP 103 despite declassifications
- (d) Engage DAC and SAHRA – how to declassify resource





Initial recognition

Challenges on initial recognition include:

- Use of valuers
- Approaches/methodologies applied to value h/a
- Valuation challenges
- Audit issues
- Separation of land from h/a
- Use of insurance values, auction prices etc.





Initial recognition

Reasons why value cannot be determined:

- Absence active market or no valuation technique
- Unique nature of h/a
- No intention to sell and h/a cannot be replaced
- No supporting documents for donated h/a

Other comment

- Reflecting h/a at R1 value not useful for decision making
- Continuously re-assess if reliable info becomes available





Initial recognition

Proposed actions to amend GRAP 103:

- (a) Allow use of peer data
- (b) Acknowledge that no reliable value may be determined for certain h/a – archaeological and natural history
- (c) Clarify when a reliable measure for fair value cannot be determined
- (d) Expand explanation on restriction on disposal
- (e) Allow for aggregation of individually immaterial items
- (f) Re-assess if reliable value becomes available - indicators



Initial recognition

Other proposed actions

(a) Develop new FAQs

- explain circumstances when use of insurance value, auction prices etc is inappropriate
- separation of land and other resources on land

(b) Engage with OAG – need to recognise h/a in f/s

(c) Engage with OAG and AGSA – valuation expectations and agree action and way forward





Subsequent measurement

Observations from stakeholders:

- Measurement basis applied do not affect decision making
- Most entities apply cost method
- Frequency of revaluations three to five years
- Challenges for determining a reliable value similar those noted on initial recognition
- Consider extending effective date Directive 11





Subsequent measurement

Proposed action

- Retain both cost method and revaluation method
- No extension Directive 11 → sufficient time for entities to comply with GRAP 103





Impairment

Observations from stakeholders:

- Most preparers confirmed relevance of impairment
- Challenges noted from users:
 - assessing impairment or impairment reversal
 - calculate recoverable amount (RA) or recoverable service amount (RSA)
 - disagreements with auditors on when h/a is impaired





Impairment

Proposed action

- Engage valuation experts on commonly used indicators → to possibly expand list in GRAP 103
- Address audit concerns with AGSA
- Engage DAC to provide simplified guidance
- Engage OAG to include illustrations and examples of indicators in GRAP Guide
- Monitor IPSAS project

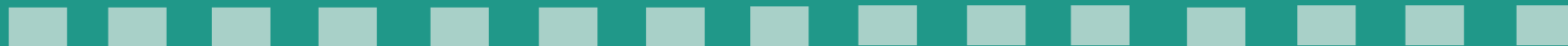




H/a with significant alternative use

Observations from stakeholders:

- Users proposed all h/a be accounted to GRAP 103 irrespective of alternative use
- Preparers noted challenges with assessing if h/a has another significant use – need for guidance in this area
- Preparers had mixed views on classification and depreciation of h/a with significant use
- Challenges with determining useful life and residual value





H/a with significant alternative use

Proposed action to amend GRAP 103

- All h/a presented as single line in f/s
- Info about h/a alternative use disclosed in note
- All h/a accounted for ito GRAP 103 thus NO depreciation

NB monitor IPSAS project on depreciation





Disclosure

Observations from stakeholders:

- Support for current disclosures with proposals to expand
- Proposals to include additional disclosures





Disclosure

Proposed action

- Most of additional disclosures are more relevant to comprehensive understanding of service performance objectives and mandatory requirements
- Engage DAC and National Treasury to consider how these can be included in other reports
- GRAP 103 – reconsider encouraged disclosures



**Recommendations for
action to be considered by
Depart of Arts and Culture
and/or SAHRA**





Proposed action

Engage DAC and SAHRA

- Development of centralised database with h/a information
- Development of simplified guidance on GRAP 103 principles
- Guidance on management of h/a
- Standardised conservation policies
- Guidance on process to declassify designated h/a





Proposed action

Engage DAC and SAHRA

Share implementation challenges noted during engagement

- increased security risk
- lack of funding to properly insure h/a against theft



Recommendations for action to be considered by National Treasury





Proposed action for OAG/NT consideration

Engage with OAG to update GRAP Guide

- guidance on items held for research and/or items that still need to be evaluated - can only be accounted for as h/a if definition of an asset is met;
- clarify that recognising h/a at R1 is inappropriate as it does not reflect value of asset;
- explain why h/a provides service potential to meet def of h/a
- explain accounting for h/a subject to lease arrangements





Proposed action for OAG/NT consideration

Engage with OAG to update GRAP Guide

- explain that internal policies should clarify that items controlled should be recognised in f/s if def of asset is met irrespective if entity has completed GRAP 103 evaluation
- provide practical application guidance on calculation of RA or RSA and practical examples of when an indicator for an impairment has been triggered





Proposed action for OAG/NT consideration

Engage with OAG to update GRAP Guide

- inclusion of disclosures in general purpose financial reports
- illustrate GRAP 3 application when transitional relief is applied
- explain importance and need to recognise all h/a in f/s when controlled



Recommendations for action to be considered by Auditor-General South Africa





Proposed action for AGSA

Technical concerns noted during engagement

- non-reliance on valuations obtained by curators or internal valuers
- requirement that three valuations should be obtained to support the valuation
- grouping of h/a of a similar nature of function into classes





Proposed action for AGSA

Technical concerns noted during engagement

- categorisation of h/a – interpretation of def
- impairment of h/a





Engagement between trilateral parties

- Expectations concerning valuations of assets insofar as it relates to level of detail to be included in valuation reports, and who, from an audit perspective is qualified to undertake valuations
- Agree action between trilateral parties
- Joint Communication issued by trilateral parties



Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

