



Accounting Standards Board

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## MINUTES OF THE MEETING OF THE ACCOUNTING STANDARDS BOARD

DATE: 27 September 2018  
TIME: 09:30 to 13:45  
VENUE: ASB, Midridge Office Estate, International Business Gateway,  
Cnr. New Road & 6<sup>th</sup> Road, Midrand

### PRESENT:

**CHAIRMAN** V Ndzimande

### MEMBERS OF THE BOARD

F Abba  
L Bodewig  
C Braxton  
K Hoosain  
I Lubbe  
P Moalusi  
N Themba

**ALTERNATE TO AGSA** N Ngaka

**BY INVITATION** O Matloa (Chairperson of Audit & Risk Committee)(until  
13:00)

### EX OFFICIO

E Swart	Chief Executive
J Poggiolini	Technical Director
A Botha	Project Manager
T Tshoke	Project Manager
E van der Westhuizen	Project Manager

Board Members: Ms F Abba, Ms L Bodewig, Mr C Braxton, Mr K Hoosain, Ms I Lubbe, Mr K Makwetu,  
Ms P Moalusi, Ms Z Mxunyelwa, Mr V Ndzimande, Ms N Themba,  
Alternate: Ms M Sedikela  
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

## **1. WELCOME AND APOLOGIES**

The Chairman welcomed the members to the meeting. It was NOTED that apologies were tendered by K Makwetu, M Sedikela and Z Mxunyelwa, and that Mr Ngaka was representing K Makwetu.

## **2. DECLARATIONS OF INTERESTS**

2.1 Members were REQUESTED to declare their interest in any of the agenda items being discussed.

2.2 The Register of Declarations of Interests was TABLED for noting. The CEO NOTED that some declarations were still outstanding and that a follow-up would be made with the relevant members.

**CEO/Members**

2.3 No new declarations were made at the meeting.

## **3. CONFIRMATION OF AGENDA**

The agenda for the meeting was CONFIRMED without amendment.

## **4. PREVIOUS MINUTES**

The minutes of the previous meeting were APPROVED without amendment.

## **5. MATTERS ARISING**

5.1 The Secretariat TABLED a memorandum on Matters Arising from previous meetings identifying any progress since the previous meeting.

5.2 It was AGREED that progress on the publication of a Government Gazette Notice regarding the effective dates for Standards of GRAP applicable to trading entities should be added.

**CEO**

5.3 It was AGREED to raise the issue of adoption of GRAP by national and provincial governments with the Minister of Finance when meeting with him.

**CEO**

5.4 It was NOTED that the annual report of the ASB was tabled in Parliament on 8 September 2018.

## **6. FEEDBACK FROM THE TECHNICAL COMMITTEE MEETING**

The Secretariat TABLED a memorandum outlining the key decisions taken at the Technical Committee meeting. The Secretariat NOTED that, based on the recommendations of the Technical Committee, the following actions were sought from the Board:

- Direction on the project on reporting of information to the public.
- Direction on the application of Standards of GRAP by entities that apply IFRS Standards.
- Approval of the Exposure Draft on the consultation on the work programme for 2021-2023.

- Approval of the Annexure to Directive 5.
- Approval of the Project Briefs for the projects to be commenced in 2019.
- Noting the potential changes to the work programme, projected achievement of quarterly targets, and the comment letter to the IPSASB.

## **7. USE OF STANDARDS OF GRAP BY ENTITIES THAT APPLY IFRS STANDARDS**

7.1 The Secretariat TABLED the following at the meeting:

- A memorandum from the Secretariat.
- The proposed Directive on *The Use of Standards of GRAP by Public Entities that Apply IFRS Standards* (for information purposes).

7.2 The Secretariat PROVIDED background to the development of the proposed Directive. It was NOTED that two project group meetings were held during August 2018 where a number of concerns were raised about the development of the proposed guidance. These matters were considered by the Technical Committee and recommendations made about how to progress the project.

*Appropriate body and mechanism to issue the proposed guidance on the application of IAS 8*

7.3 The Secretariat INDICATED that project group members questioned whether providing guidance on the application of an IFRS Standard is within the Board's mandate or whether such guidance should be developed by another body, such as the Financial Reporting Standards Council (FRSC) or the National Treasury. It was also questioned whether a Directive is the appropriate mechanism to provide guidance to public entities that apply IFRS Standards, and whether applying Directives will result in an "IFRS plus" framework.

7.4 The Board SUPPORTED the Technical Committee's proposals that:

- (a) the Board is the appropriate body to issue the guidance on the application of IAS 8 based on its responsibilities outlined in the Public Finance Management Act;
- (b) a Directive is the appropriate mechanism to issue such guidance as these pronouncements are legislative requirements that would need to be considered by entities in preparing their financial statements;
- (c) the FRSC should be consulted on the development of the proposed guidance, but that agreement need not be reached; and
- (d) the basis for conclusions should be amended to explain the conclusions reached by the Board.

**Secretariat**

*Proposed guidance to be developed*

7.5 The Secretariat EXPLAINED that the project group recommended that the pronouncement should indicate when it would be permissible for a public entity that applies IFRS Standards to not use an IFRS Standard that deals with a similar issue or the IFRS Conceptual Framework, when formulating an accounting policy.

7.6 It was NOTED that the Technical Committee agreed with adding this clarification. The Technical Committee also debated whether public entities that apply IFRS Standards should be required to first consider Standards of GRAP before the pronouncements of other standard-setting bodies. The Technical Committee recommended that this proposal should be made by the FRSC as the standard setter for IFRS in South Africa.

7.7 The Board AGREED with the Technical Committee's proposals, but NOTED that entities cannot be required to first consider the Standards of GRAP before the pronouncements of other standard-setting bodies. It was AGREED that such a requirement should not be mandatory.

**Secretariat**

7.8 The Board NOTED the Technical Committee's other recommendations and CONFIRMED that the proposed guidance should include explanatory guidance indicating that a pronouncement of another standard-setter may not be applied (i) if an IFRS Standard exists for a transaction or event, or (ii) to achieve a specific outcome that will be different, had an IFRS Standard been considered.

**Secretariat**

*Conflict between the GRAP Conceptual Framework and the IFRS Conceptual Framework*

7.9 The Secretariat EXPLAINED that the basis for conclusions of the proposed Directive highlights some differences between the GRAP and IFRS conceptual frameworks, and concludes that these differences are unlikely to result in a conflict between the two frameworks.

7.10 It was NOTED that some project group members questioned this conclusion as they were of the view that the concept of service potential is a significant difference between the public and private sectors, and if applied by IFRS entities, it may result in the recognition of additional and/or different assets and liabilities.

7.11 It was NOTED that the Technical Committee was of the view that the concept of economic benefits encompasses service potential, and that there is a difference between service potential and service delivery. The Technical Committee concluded that, in its view, there is no conflict in the definitions, the recognition criteria and the measurement bases of the two conceptual frameworks.

7.12 The Board CONCURRED with the Technical Committee's view that:

- there is no conflict between the two conceptual frameworks; and
- the perceived/potential conflicts between the two conceptual frameworks should be discussed with the FRSC when including additional explanatory guidance on this matter in the basis for conclusions, if appropriate.

**Secretariat**

**8. RESULTS OF RESEARCH ON REPORTING OF INFORMATION TO THE PUBLIC**

8.1 The Secretariat TABLED a memorandum for the Board's consideration.

8.2 The Secretariat PROVIDED background to the project and the research conducted and SHARED the following results of the research with the Committee:

- (a) The public's information needs, the types of information the public needs, the attributes of that information, and the level of government from which they need the information:
- The types of information that the public needs to hold government accountable include information on: links between the budget, financial and performance information; service delivery; capital expenditure and maintenance of assets; and financial viability.
  - For information to be useful to the public, it should be reported in a simple and concise manner so that members of the public can understand it and easily access it from a central point. It should also be reported in a timely manner. For information to be useful, it should be reliable, and reliability is improved if the information is audited. Matters to be considered before auditors can provide assurance on reported information were noted.
  - The public is most interested in information that affects their everyday lives, and that they use to hold government accountable at a local government level, per ward and for specific projects.
- (b) The information that is currently available to the public, challenges in the current environment and assurance on information provided to the public:
- The research identified that there are various platforms where information is available. However, a number of challenges in the current environment, such as financial illiteracy, inaccessibility of information, and unreliability of available information, prevent the public from being able to access and effectively use the information that is currently available.

#### *Sufficiency of consultation*

- 8.3 The Board CONSIDERED the following regarding the consultation that was done in the initial phase of the project:
- Whether it is sufficient to consult the public through their representatives, instead of consulting the public directly.
  - Whether other stakeholders should also have been consulted, e.g. provincial treasuries and preparers.
- 8.4 The Board AGREED to decide what further consultations may be necessary to progress the project once it has established what the next steps of the project should be.
- 8.5 A member NOTED that there are government structures in place with the role of ensuring that information is communicated to the public in an understandable manner, e.g. Parliament and DPME. It was NOTED that it could be useful if the results of the research are shared with them.

**Secretariat**

## Proposals to progress the project

### *The public*

- 8.6 A member QUESTIONED the exclusion of certain groups of society from the description of “the public”.
- 8.7 The Secretariat NOTED that the intention was not necessarily to exclude them from who is considered to be “the public”, but rather to exclude them from whom the report is intended. It was AGREED that the description of “the public” will be amended to reflect this.

### **Secretariat**

### *Options for the Board to consider*

- 8.8 The Secretariat NOTED the Board’s mandate, and the options that the Board could consider in addressing the public’s information needs based on the Technical Committee’s deliberations.
- 8.9 A member ASKED why the information gap exists when entities already report most of the information that the public needs in their annual reports. The Secretariat EXPLAINED that the challenges identified in the current environment are, for example, not the correct type of information being available, the public’s financial illiteracy, and inaccessibility of information. These challenges prevent the public from using the information that is currently available. Reporting in a simple, concise and easily understandable manner is needed.
- 8.10 A member QUESTIONED why the Board initially agreed to take on the project, given its mandate. The Secretariat EXPLAINED that the public is one of the key users of financial statements, but they may not get the information they need from the financial statements. The Board decided to research what the public’s information needs are, the issues that may exist and why they exist, and to establish what further actions could be undertaken (if any).
- 8.11 The Board DEBATED what actions it should consider that would be within its mandate. The following was DISCUSSED and CONSIDERED:
- The information needs of the public appear contradictory in certain instances, e.g. audited information versus timely information, and that it will not be possible to meet all their needs.
  - In the current environment, it is not possible for entities to report integrated information that links an entity’s budget to actual spending and performance. This is largely due to the lack of an appropriate management information system being in place.
  - The manner in which information is communicated to the public may be the issue rather than the availability of information given the vast amount of information that is already reported and provided by entities.
  - It is government’s responsibility to understand what the information needs of the public are, and to ensure it is communicated in an appropriate manner.

- Given the current reporting fatigue, the Board should be mindful to not add to the current reporting burden, but rather consider how currently available information could be better communicated to the public.
- As a key consideration in developing systems is the end-user's needs, the results of the research would be a useful input to the development of systems for national and provincial government.
- Developing a Guideline to assist entities that want to report information to the public could be a good initiative based on the research, but may be premature. Further consultation and research would be needed as the Board's due process needs to be followed.
- Re-considering the current reporting requirements of GRAP 18 *Segment Reporting* and GRAP 24 *Presentation of Budget Information in Financial Statements* would be within the Board's mandate and could address some of the public's information needs.
- As a minimum, the research can be published in a Research Paper and shared with the relevant stakeholders that can take further action, as the Board's resources may be better used elsewhere.

8.12 Based on the above, the Board AGREED that the following actions should be taken:

- (a) The results of the research should be published in a Research Paper. The message in the Research Paper should not be framed as being critical of current reporting practices. Preparers should be consulted when preparing the Research Paper to ensure that they agree with the information in the paper that may affect them. With the results of the research published, entities may start to think differently about what information they report to the public and the manner in which they report it.
- (b) As developing a Guideline is time and resource intensive, and may be premature, this will not be considered at present. This will be included in the Board's list of potential projects to consult on in its next work programme consultation (2024 to 2026).
- (c) The work programme consultation for 2021 to 2023 includes proposed projects to review GRAP 18 and GRAP 24. Depending on the public consultation process and the Board's decisions when finalising the work programme, amendments to those Standards may be considered in order to better meet the public's information needs.
- (d) The work programme consultation for 2021 to 2023 should include high-level feedback to stakeholders on the Board's decisions regarding this project, because it was consulted on with stakeholders during the previous work programme consultation.

**Secretariat**

- 8.13 The representative from the AGSA SHARED that a task team has been established that consists of the AGSA, DPME and COGTA, to reconsider the current performance reporting requirements. It was NOTED that the results of the research would be useful for the task team to consider as part of their work.

**Secretariat**

*Other matters*

- 8.14 The Board AGREED that the Secretariat could share the public's information needs with the National Treasury so that this can be considered in the platforms they are developing.

**Secretariat**

- 8.15 The Board AGREED that a discussion could be held with the National Treasury on the development of educational material for the public.

**Secretariat**

- 8.16 A member NOTED that it would be useful if the Department of Basic Education could consider including information on government's roles and responsibilities in the school curriculum.

**9. CONSULTATION ON THE ASB'S WORK PROGRAMME FOR 2021-2023**

- 9.1 The Secretariat TABLED the following at the meeting:

- A memorandum from the Secretariat.
- Proposed Exposure Draft on *Identifying Projects to Prioritise on the ASB's Work Programme for 1 April 2020 to 31 March 2023*.

- 9.2 The Secretariat EXPLAINED that, in line with the Board's policy, the consultation on its next three year work programme should commence. The Exposure Draft focuses on identifying key activities in each of the three standard-setting objectives.

*Objective 1 – Set Standards of GRAP*

- 9.3 The Secretariat NOTED that based on its engagement with key stakeholders, queries received, reports published on compliance with reporting standards, and past Board decisions, three potential topics were identified as local initiatives, i.e. presentation in the statement of financial performance, the liquidation basis of accounting and a review of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*. Respondents would be asked to comment on whether they support any of these proposals, and/or if any other topics should be considered.

- 9.4 The Secretariat NOTED that for activities to maintain alignment with the IPSASB and IASB, projects were identified based on documents already issued by either body that required consideration, as well as any documents being developed that may be completed before 2020. Based on this analysis, projects on leases, social benefits, public sector combinations and IFRIC 22 on foreign currency transactions, were identified.

- 9.5 Members SUPPORTED the proposals for this objective.

*Objective 3 – Promote the adoption of Standards of GRAP*

- 9.6 The Secretariat NOTED that the activities under this objective related to developing transitional provisions for new pronouncements and/or transitional provisions for new entities adopting Standards of GRAP.
- 9.7 The Secretariat NOTED that there is currently uncertainty about the adoption of Standards of GRAP by CET colleges. It was NOTED that a Gazette was published outlining the broad financial policy for the CET colleges which mentioned the preparation of financial statements using Standards of GRAP. However, there is no indication of an effective date, and there has been no communication from the Department of Higher Education and Training (DHET) on this issue. As a result, the timing of developing any guidance is unknown. The Secretariat will discuss the matter with DHET in early October.
- 9.8 It was NOTED that stakeholders often indicate to the Secretariat that the financial statements are not (fully) utilised because users do not understand their content, and that guidance would be useful on how they should be interpreted. The Technical Committee proposed adding the development of this guidance to the Exposure Draft and requesting views on the suggestion. The Exposure Draft does however make it clear that undertaking this work means doing less in other areas.
- 9.9 Members QUESTIONED whether the Board had a responsibility to promote the adoption of Standards of GRAP for national and provincial departments with the Minister of Finance. Some members were of the view that the Board should play an active role to move the reforms forward. These members also indicated that because the Board's mandate includes proposing effective dates for Standards to the Minister, the Board could be seen as deficient if this has not been done for departments.
- 9.10 Other members NOTED that they did not believe that the Board should play an active role in promoting the adoption with the Minister. These members OBSERVED that the decision to not apply the Standards is because the structures (skills, capacity, systems, etc.) required to support implementation are not yet in place.
- 9.11 Members NOTED that the Board has a responsibility to set Standards of GRAP based on best practice, but also considering the capacity of entities to implement the Standards. If accrual accounting cannot be implemented, it may be appropriate for the Board to consider whether taking over the Modified Cash Standard (MCS)(or equivalent) may be appropriate. It was suggested that this could be a potential topic to discuss at the ASB's next strategy discussion.

**Secretariat**

- 9.12 Members AGREED that the adoption of Standards of GRAP by departments should be discussed with the Minister of Finance at the next engagement.

**Secretariat**

- 9.13 Members SUPPORTED the proposals in the Exposure Draft for this objective, with a revision to paragraph 44 to reflect that there will be engagement with the Minister on the adoption of the Standards of GRAP by departments.

*Objective 4 – Monitor the application of Standards of GRAP*

- 9.14 The Secretariat NOTED that the two activities in this area are post-implementation reviews and desktop reviews. Reviews could be undertaken on any Standard of GRAP that has been implemented by entities. For the desktop reviews, some suggestions were made about potential topics based on queries received and interactions with stakeholders. Respondents would however be able to suggest other topics if they did not believe these are appropriate.
- 9.15 Members SUPPORTED the proposals.

*Number and mix of projects*

- 9.16 The Secretariat NOTED that in the last work programme, 3 projects per project manager were undertaken per year. This meant that little time was made available for other activities such as being more actively involved in the IPSASB's activities. The proposal this year is to only undertake 2 projects per project manager per year. Members SUPPORTED this proposal.
- 9.17 The Secretariat NOTED that with the decisions on the project on reporting information to the public, an additional project could be undertaken, taking the total to 14 for the 3 year period. Members SUPPORTED the mix of projects, and noted that the additional project should be added to the desktop reviews.

*General*

- 9.18 Subject to editorial corrections, members APPROVED the Exposure Draft for issue with a comment deadline of 28 February 2019.

**Secretariat**

**10. GRAP REPORTING FRAMEWORK FOR 2019/20**

- 10.1 The Secretariat TABLED the following at the meeting:
- A memorandum from the Secretariat.
  - Proposed Annexure to Directive 5 outlining the GRAP Reporting Framework for 2019/2020.
- 10.2 The Secretariat NOTED that the changes from last year are as a result of the Minister of Finance approving a number of new Standards for implementation. The Gazette prescribing the effective dates was not specific about the application by trading entities. As a result, the Gazette needs to be amended or a new one issued. It was AGREED that this matter should be added to the matters arising.

**Secretariat**

- 10.3 The Secretariat INDICATED that the Technical Committee proposed updating all references in the Directives to "FET colleges" to "TVET colleges". Members SUPPORTED this proposal.

**Secretariat**

- 10.4 Members SUPPORTED the recommendation that the Annexure need not be issued for comment as the changes were administrative in nature.

## **11. EMERGING ISSUES**

- 11.1 The Secretariat TABLED a memorandum at the meeting updating the Board on recent emerging issues with the application of Standards of GRAP.
- 11.2 The Secretariat NOTED that during the recent PFMA cycle, a number of requests were received from entities for technical assistance, which were referred to the OAG. A number of queries were also received on services in-kind and fully depreciated assets. FAQs have been published to address these issues.
- 11.3 Board members QUESTIONED whether any further actions are required. The Secretariat NOTED that the prominence of the services in-kind issue may have resulted from the publication of the Research Paper. On fully depreciated assets still in use, this may be a lack of awareness of the requirements and/or a reluctance to implement the requirements.
- 11.4 It was also QUESTIONED if any action is needed on the potential issues regarding principals and agents and the views emerging in the provinces that the identification of principals and agents is a legal issue. The Secretariat NOTED that the issues were not raised with the ASB but with the National Treasury, particularly on the application of the MCS. GRAP 109 on *Accountings by Principals and Agents* indicates that identification is a matter of substance rather than legal form.
- 11.5 The Secretariat NOTED that during consultations on ED 167 on *Proposed Revision of GRAP 104 on Financial Instruments*, some public entities in the development finance arena had raised concerns about the treatment of controlled entities held for sale. They NOTED that where step-in arrangements exist for financing provided, it may result in them controlling underlying businesses. These businesses are not aligned to the activities of development finance. A line by line consolidation distorts the financial statements of the entity. These public entities indicated that the requirements of the previous GRAP 100 on *Non-current Assets Held for Sale* should be re-instated for entities held for disposal. The Secretariat will prepare an analysis of the issue and present it to the Technical Committee and Board.

**Secretariat**

## **12. GRAP IMPLEMENTATION**

Ms L Bodewig NOTED that the GRAP Guides were removed from their website as they are being updated. The Guides will be made available late October/early November again for comment.

## **13. AUDIT AND RISK COMMITTEE (ARC)**

- 13.1 An oral report was NOTED from the Chairperson.
- 13.2 The Chairperson NOTED that ARC met on 20 September 2018 and considered the quarterly financial, performance and compliance report of the entity, the progress report from the Internal Audit Unit, two Internal Audit reports and a report on risk management.
- 13.3 The Chairperson NOTED that ARC continues to express their concern about the adequacy of funding of the ASB and that, in a meeting with the Minister, the issue of funding was raised and that he had agreed to consider the issue.

13.4 The Chairperson NOTED the satisfactory outcome reflected in the two Internal Audit Reports and that there are no unresolved internal audit findings.

#### **14. FEEDBACK FROM OPERATIONS COMMITTEE**

14.1 A report from the Secretariat outlining the key decisions taken at the Operations Committee meeting held on 13 September 2018 was TABLED at the meeting.

14.2 It was NOTED that the Operations Committee had approved the replacement of the desktop computer and the waiving of the requirement of a third quote for the provision of a social media strategy.

#### **15. ADMINISTRATION**

##### *Work programme*

15.1 The Secretariat TABLED a memorandum, along with the revised work programme to reflect the decisions taken at the July 2018 meeting, as well as the document outlining monitoring of convergence with the IPSASB, at the meeting. There were no amendments to the work programme other than aligning with the work plans of the IASB and IPSASB. Changes will be required after this meeting to reflect the decisions on the use of Standards of GRAP by entities that apply IFRS Standards.

##### *Monitoring progress against the achievement of the quarterly and annual targets*

15.2 The Secretariat TABLED a memorandum at the meeting outlining the ASB's achievement against the targets for the period 1 April to 30 June 2018. The Secretariat NOTED that 75% of the targets were met for Objective 1 because of the delay in the project on the use of Standards of GRAP by entities that apply IFRS Standards. All other targets were achieved.

##### *Policies*

15.3 The Secretariat TABLED revisions to the following risk management policies at the meeting:

- Fraud Prevention,
- Risk Management Framework,
- Risk Management Policy,
- Emergency Evacuation procedure,
- Business Continuity,
- Disaster Recovery,
- Whistleblowing, and
- Compliance with Legislation.

15.4 The policies were APPROVED, subject to some editorial amendments.

15.5 A new policy on risk appetite and risk tolerance was TABLED for approval.

15.6 It was QUESTIONED why the policy was needed as it contained the same information as the Risk Management Framework and the Risk Register.

- 15.7 It was NOTED that it was a requirement of the Internal Audit Unit to ensure compliance with the Public Sector Risk Management Guide.
- 15.8 The policy was APPROVED for implementation.
- 15.9 The Secretariat TABLED revisions to the following human resource policies and a new policy on remuneration:
- Employment Equity,
  - Performance Management,
  - Recruitment, and
  - Performance Bonuses.
- 15.10 It was NOTED that the policies were updated to reflect the decisions made by the Board regarding equal work for equal pay, all the decisions regarding remuneration made by previous Boards and to eliminate inconsistencies between the policies.
- 15.11 The policies were APPROVED, subject to some editorial amendments.

*Risk management*

- 15.12 The revised Risk Register was TABLED for approval by the Board.
- 15.13 It was NOTED that the Risk Register was updated to reflect the implementation of the Memorandum of Understanding with the Office of the Accountant-General and the reduction of the risk of having a new Board and its impact on the activities of the ASB.
- 15.14 The Risk Register was APPROVED.
- 15.15 The CEO NOTED that the request to review the safety of government offices was considered and that the ASB's offices met the requirements for a building of its type.
- 15.16 The CEO NOTED that the impact of investigations into government regarding state capture and conduct of certain chartered accountants had led to the identification of the risk of encouraging staff to participate in audit committees of entities in government in order to further their development.
- 15.17 After some discussion, it was AGREED that the reputational risk to the ASB arising from such appointments outweighed the benefits in staff development and revenue received, and that any requests for such appointments to Boards and/or audit committees should be discouraged. It was AGREED that it may be more appropriate to explore opportunities to serve on other committees with a lower risk profile.

**Secretariat**

*Risk Management and the Enterprise Risk Management Unit (ERMU)*

- 15.18 It was NOTED that the Operations Committee had recommended that the Board reconsider the use of the ERMU to provide additional capacity to the Secretariat.
- 15.19 The Chairperson of ARC NOTED that the National Treasury has decided not to renew the contract of the Risk Committee chair, but to restructure the Risk Committee by including more National Treasury Officials on the Committee and changing it to a Risk Management Committee.

- 15.20 She NOTED that the change in structure would have implications for the terms of reference of the new committee and the terms of reference of the ARC.
- 15.21 The Chairman NOTED that there was no legal requirement to share the risk committee and that the operations committee believed that the CEO is responsible for the management of risk and the activities of a Risk Committee should be vested in the Operations Committee.
- 15.22 The CEO NOTED that the composition of the new committee was a concern as the change in structure would increase the number of people that would have no appreciation for the activities of the ASB and whether or not the internal controls were adequate to manage risk. It was NOTED that none of those people would have any accountability towards the ASB.
- 15.23 It was NOTED that the Internal Audit Report on the ERMU pointed to a lack of effective risk management and would expose the ASB to additional risk.
- 15.24 After some discussion, it was AGREED to end the relationship with the ERMU and to advise the ARC on any changes that may be needed to its terms of reference.

**Secretariat**

## **16. INTERNATIONAL STANDARD SETTING ACTIVITIES**

- 16.1 The Secretariat TABLED the comment letter on *Improvements to IPSASs 2018* at the meeting. It was NOTED that some of the comments made had resulted in decisions being made by the IPSASB about the effective dates of certain amendments.
- 16.2 An oral report of the IPSASB's September 2018 meeting was PROVIDED by the Secretariat:

### *Social benefits*

- The IPSASB considered the draft IPSAS on social benefits based on the decisions made at the June 2018 meeting. Even though the scope of the draft IPSAS will remain unchanged, it was agreed that the IPSAS and basis for conclusions should be clearer that the IPSAS applies to those benefits that are settled in cash. The IPSASB agreed to remove some disclosure requirements so that disclosures are limited to information about the characteristics of the schemes and the expenditure incurred.
- It is expected that the IPSASB will approve the final IPSAS at the December 2018 meeting.

### *Revenue and non-exchange expenses*

- The IPSASB considered the initial draft of the Exposure Draft to converge with IFRS 15 on *Revenue from Contracts with Customers* for similar public sector transactions that would be in the scope of IFRS 15. The proposed Exposure Draft incorporated the guidance for the public sector performance obligation approach (PSPOA) for those transactions with performance obligations but which do not meet all the characteristics of the IFRS 15 transactions.
- The IPSASB discussed the changes to terminology and definitions. It was agreed that some terminology would be retained but the terms 'contracts' and 'customer' would be changed. The term 'contract' would be replaced with

'binding arrangement'. 'Binding arrangement' encompasses contracts or other contracts. The term 'customer' was not considered to be appropriate in relation to tripartite arrangements. Staff was directed to consider an umbrella term that can be used for all arrangements covered by IFRS 15 and the PSPOA.

- The IPSASB considered the PSPOA for non-exchange expenses. In particular, the IPSASB considered whether a liability and an asset can be recognised when entities enter into a binding arrangement. No agreement was reached as some members argued that, similar to executory contracts, no liability or asset can be recognised when neither parties have performed. The IPSASB agreed that there are a number of issues that still require consideration, such as the enforceability of the binding arrangement, before a conclusion can be made about applying the PSPOA to non-exchange expenses. The IPSASB will discuss this issue further and test it against specific examples at the next meeting.
- The IPSASB reviewed the proposed narrow-scope amendments to IPSAS 19. These amendments provide guidance on collective services and individual services (i.e. new term for universally accessible services) in IPSAS 19. The IPSASB agreed that the terms collective services and individual services should be included in the core text of IPSAS 19, and that the application guidance should be redrafted by separating the discussion of the two types of services even though the outcome of the accounting may be the same. The guidance on disaster relief (now referred to as emergency relief) should be redrafted so that the discussion is neutral and acknowledges that not all disaster relief will give rise to a provision.
- The IPSASB agreed with the guidance on social contributions in IPSAS 23 but noted that the drafting could be simplified.

#### *Measurement of assets and liabilities*

- The IPSASB considered the Consultation Paper and Exposure Draft on measurement. The IPSASB agreed with the project overview, and the Task Force recommendation that IFRS 13 on *Fair Value Measurement* is appropriate for financial instruments. It was agreed that staff and the Task Force should develop the explanatory text and application guidance for fair value (based on IFRS 13), historical cost, replacement cost and cost of fulfilment for the next meeting. The general approach will be to include generic material in the Exposure Draft while the non-generic or transaction-specific material will be located in the relevant IPSASs.

#### *Improvements*

- The IPSASB approved the improvements to IPSASs, and these will have an effective date of 1 January 2019.

#### *Leases*

- The IPSASB considered, at a high level, the responses to the Exposure Draft on leases. Given the mixed views on the lessor accounting proposals, the IPSASB agreed that a logical thought process is required of how the issues will be addressed. It was agreed that a detailed and technical analysis of the lessee

accounting would be considered, which would be followed by lessor accounting. The IPSASB agreed not to consider the concessionary lease proposals until it has made a strategic decision about the proposals for lessee and lessor accounting.

*Strategy and work plan 2019-2023*

- The IPSASB considered the responses from its strategy and work plan consultation. Respondents generally supported the IPSASB's strategy. The IPSASB agreed with the recommendations made by the Task Force. The IPSASB agreed that a Feedback Statement should be developed and it is expected that the IPSASB will approve the final strategy and work plan at the December 2018 meeting.

**17. CLOSING**

The meeting was ADJOURNED at 13:45.

<b>Prepared by:</b>	<b>Erna Swart</b>	<b>8 October 2018</b>
<b>Approved by:</b>	<b>Vincent Ndzimande</b>	<b>9 October 2018</b>
<b>Issued:</b>	<b>9 October 2018</b>	

**Approved by Board:** \_\_\_\_\_

**Date:** \_\_\_\_\_