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MINUTES OF THE VIRTUAL BOARD MEETING HELD ON 30 MARCH 2023

PRESENT:

CHAIR

C Braxton

MEMBERS OF THE BOARD

W de Jager

D Dlamini

S Khan (left at 12:00)

P Moalusi (Deputy-Chair)(joined 09:20)

A Muller (left at 12:00)

N Themba

A van der Burgh

BY INVITATION

P Mzizi (left at 14:30)The Chair of the Audit Committee

EX OFFICIO

J Poggiolini Chief Executive Officer

A Botha Standard Setter

N Imam-Shah Standard Setter

S Peter Accountant

E van der Westhuizen Standard Setter

Board Members: Mr C Braxton (Chair), Mr D Dlamini, Ms W de Jager, Mr S Khan,
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

1.1 Members were WELCOMED to the meeting. A special welcome to newly appointed Accountant-General, S Khan, who joined the meeting for the first time.

1.2 Mr S Khan and Ms A Muller INDICATED that they would leave early.

2. DECLARATIONS OF INTERESTS

No changes to the Declarations of Interests were NOTED. C Braxton INDICATED that he was conflicted in matters related to the IPSASB.

3. CONFIRMATION OF THE AGENDA

The agenda was CONFIRMED with the following amendments:

- Noting the Internal Audit Plan for 2023/2024.
- Discussion on the status of the Chairperson's work arrangements.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 30 November 2022 were APPROVED, subject to the following amendment:

- Paragraph 10.6 – The word “that” should be changed to “with”.

Secretariat

5. RATIFICATION OF PREFERENTIAL PROCUREMENT POLICY

The Secretariat NOTED that the Preferential Procurement Policy was approved by the Board on a round robin basis. The policy was RATIFIED at the meeting.

6. MATTERS ARISING FROM PREVIOUS MEETINGS

6.1 A report on matters arising from previous meetings was TABLED.

6.2 The following was discussed:

- The meeting with the Deputy-Minister was postponed. A new date needs to be confirmed.
- Trilateral meeting dates for the year were confirmed.
- A meeting was held with the OCPO on the condonation of irregular expenditure. Evidence needs to be provided to the OCPO outlining changes made to policies, processes, etc., to ensure irregular expenditure does not re-occur.

7. FEEDBACK FROM THE TECHNICAL COMMITTEE

7.1 The Secretariat TABLED a report outlining feedback from, and recommendations of, the Technical Committee meeting held on 23 February 2023.

7.2 The Secretariat NOTED that the following items were recommended to the Board for approval:

- Proposed revisions to GRAP 105 to GRAP 107 on transfers of functions and mergers.
- Proposed activities for the project on Enhancing the Application of the Standards of GRAP.

TECHNICAL ACTIVITIES

8. PROPOSED AMENDMENTS TO THE STANDARDS OF GRAP ON TRANSFERS OF FUNCTIONS AND MERGERS

8.1 The following documents were TABLED at the meeting:

- Memorandum from the Secretariat.
- Proposed Revisions to the Standard of GRAP on *Transfers of Functions Between Entities Under Common Control* (GRAP 105).
- Proposed Revisions to the Standard of GRAP on *Transfers of Functions Between Entities Not Under Common Control* (GRAP 106).
- Proposed Revisions to the Standard of GRAP on *Mergers* (GRAP 107).
- 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).

8.2 It was NOTED that IPSAS 40 was compared to GRAP 105, GRAP 106 and GRAP 107 (the local Standards) to identify similarities and differences. Based on the outcome of the comparison, 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.

8.3 It was NOTED that project group members discussed the proposed revisions to the local Standards and the proposed ITC at two project group meetings held in February 2023. The Technical Committee considered the proposed pronouncements at its meeting held on 23 February 2023 and recommended them to the Board for approval as Exposure Drafts.

Guidance from IFRS 3

8.4 It was NOTED that GRAP 105 and GRAP 107 were updated with guidance on IFRS 3 on (a) an optional test (the concentration test) to be applied by an entity 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 do not have outputs.

8.5 It was NOTED that the guidance was included as Application Guidance. A flow chart was also developed to explain the link between the optional test and assessing if a transferred process is substantive. The Technical Committee agreed that a question should be included in the ITC to ask respondents' views on the new guidance.

8.6 The Board AGREED with the inclusion of the guidance and the question in the ITC.

Secretariat

Proposed revisions to GRAP 105, 106, 107

8.7 It was QUESTIONED if the illustrative example E (paragraph IE31) in GRAP 105 is relevant in the context of entities undertaking transfers of functions when they are within the same sphere of government.

8.8 It was NOTED that the inclusion of the example was requested by the Technical Committee to explain how the carrying amount of the gross assets acquired should be determined. It was also NOTED that the example could be relevant to Schedule 2, 3B and 3D entities that apply Standards of GRAP. It was AGREED that the example should be retained.

Secretariat

8.9 The following amendments were AGREED:

- GRAP 105.12(c) – redraft the first sentence;
- GRAP 105.13 – in the last sentence, amend “specify” to “provides guidance on”;
- Illustrative examples – do not use “Department” in the examples.

8.10 Editorial comment was NOTED.

8.11 Subject to the matters agreed, the Board APPROVED the ITC and related Exposure Drafts for publication for a period of three months.

Secretariat

8.12 It was NOTED that comment on the Exposure Drafts will be considered at the November 2023 Technical Committee and Board meetings.

9. PROPOSED PROJECT ON ENHANCING THE APPLICATION OF STANDARDS OF GRAP

9.1 The Secretariat TABLED a memorandum at the meeting. The Annexure to the memorandum outlined the project activities.

9.2 The following comments were NOTED:

- The topics resonate with the issues experienced in the sector.
- The trilateral parties should work together to market the project better. The project should be discussed at the trilateral meetings.
- It might be useful to target specific stakeholder groups.
- It was observed that the IPSASB will start looking at the interpretation of IPSAS and may decide to issue educational material. It will be useful to understand locally whether preparers will look to the IPSASB’s interpretations and material, or the ASB’s. The ASB will need to decide how to address these potential issues when the IPSASB commences this work.

9.3 The project’s plan and related activities were APPROVED.

10. EMERGING ISSUES

10.1 The Secretariat TABLED an update on emerging issues.

10.2 Members REQUESTED an update on the RAF Court case.

10.3 The Secretariat EXPLAINED that a case management meeting was held with the Deputy-Judge President. It was NOTED that the RAF was required to submit their responding affidavits by 22 March 2023. The RAF did not comply by the 22nd and requested an extension.

10.4 A member ASKED how much was spent on legal fees and whether the ASB needs to be involved in the case. It was NOTED that approximately R500 000 was spent on legal fees. The ASB participates in the Court case with the RAF as a result of a Court ruling that indicated that the ASB is an interested party and should be asked to join the case as a second respondent.

11. GRAP IMPLEMENTATION

The Accountant-General PROVIDED an update on potential GRAP implementation issues. He NOTED that the appropriateness of the effective date of the revised Standard of GRAP on *Financial Instruments* is being discussed internally at the National Treasury.

12. INTERNATIONAL STANDARD-SETTING ACTIVITIES

12.1 The Secretariat TABLED the following at the meeting:

- December 2022 IPSASB update.
- The comment letter on the proposed changes to the Recommended Practice Guidelines.
- The proposed changes to IPSAS from the project on leases.

12.2 The IPSASB member PROVIDED a detailed oral update on the December 2022 and March 2023 meeting. Most notably, the IPSAS on *Revenue, Transfer Expenses* and *Measurement* were approved by the IPSASB.

13. OPERATIONS COMMITTEE

13.1 The Chairperson of the Operations Committee PROVIDED an update of the meetings held during the quarter. She THANKED Committee members for their assistance with various matters, including the development of the Preferential Procurement Policy.

13.2 It was AGREED that the quarterly financial and performance report should be provided at each Board meeting for noting.

Secretariat

14. AUDIT COMMITTEE

14.1 The following documents were TABLED at the meeting:

- Feedback from the Audit Committee for quarter 3.
- Internal Audit report on standard-setting activities.
- Internal Audit report on quarterly performance information for quarter 2.
- Recommendation to confirm the appointment of the external auditors.
- Draft Internal Audit plan for 2023/24.

14.2 The Chairperson of the Audit Committee NOTED that the report omits the meeting held on 20 March 2023.

- 14.3 It was NOTED that the findings in the report on the performance information were addressed by management in the APP for 2023/24.
- 14.4 The draft Internal Audit plan was NOTED.
- 14.5 The Chairperson EXPLAINED that the Committee recommended the re-appointment of Moore Pretoria to the Board for approval.
- 14.6 The Chairperson NOTED that the accounting policies and materiality and significance framework were reviewed, and comments provided.
- 14.7 It was NOTED that the assurance and feedback provided by the Operations Committee on risk management is working well. The most significant risks facing the ASB are the legal case with the RAF and the delay by the Minister in approving submissions.
- 14.8 A member RAISED the following questions:
- What are the Information Communication and Technology (ICT) risks and how are they being mitigated?
 - How did the irregular expenditure arise?
 - What was the joint project with the National Treasury that was not achieved?
 - Why were the funds for the year not spent?
- 14.9 The Secretariat EXPLAINED the following:
- The ICT risks relate to unauthorised access and back-up of data on SharePoint. A new service provider is being appointed to provide these services.
 - The irregular expenditure arose from the last year's procurement where the 80/20 principle was not applied. The condonement request was submitted. The OCPO requested supporting evidence.
 - The project with the National Treasury was the Education Material for Users of the Financial Statements. The scope of the project/content was more detailed than initially anticipated. The change in scope means that there is a large volume of material which makes the information more difficult to digest. The YouTube initiatives in the project on "Enhancing the Application of the Standards of GRAP" will largely replace the Education material.
 - The reason for the surplus is the vacancy of the Technical Director salary and the budget for legal fees that was not fully utilised.
- 15. FORECAST for 2022/23**
- 15.1 The Secretariat TABLED the forecast expenditure for the remainder of the year, along with the projected surplus.
- 15.2 The Secretariat HIGHLIGHTED potential items to request retention of the surplus.
- 15.3 Members AGREED with the request for the retention of the legal fees. Members NOTED that it might be difficult to motivate retaining the other items as the request will only likely be approved if they were unexpected.

- 15.4 Members AGREED that the monitoring and evaluation of the ASB's impact and the related report will be helpful for the long-term planning.
- 15.5 Members ASKED the Secretariat to confirm the date for submitting the request for retention of funds.

Secretariat

16. ACCOUNTING POLICIES

- 16.1 The Secretariat TABLED the revised accounting policies.
- 16.2 Members DEBATED whether there is a constructive obligation for the payment of performance awards. It was NOTED that there may not be a constructive obligation every year as the payment of bonuses is dependent on funding. As there is funding available this year, a liability should be recognised for the performance awards.
- 16.3 A member QUESTIONED why the references to accrual accounting and going concern were deleted. It was EXPLAINED that a member of the Operations Committee suggested deleting this wording as it is assumed that readers know that the Standards are accrual based, and it is assumed that the going concern principle is applied unless the financial statements indicate otherwise. The Audit Committee also supported the deletion of the wording.
- 16.4 Members AGREED that the following changes should be made:
- The leave accrual and performance awards are scoped out of GRAP 19 and are in the scope of GRAP 25. As a result, no reference should be made to "provisions".
 - The policy for "other receivables" should be updated to indicate that they relate to cash advances.
 - The reference to the RAF legal fees in the ringfenced funds policy should be amended to be generic.
 - The reference to useful lives in the critical judgements should not be included in the accounting policies in the financial statements.

Secretariat

- 16.5 It was AGREED that what is presented on the website and the financial statements should be tested again when the financial statements are compiled.

Secretariat

- 16.6 The accounting policies were APPROVED, subject to the changes agreed.

17. REGISTER OF DEVIATIONS

- 17.1 The Secretariat TABLED a memorandum explaining the supply chain management deviations approved.
- 17.2 The Secretariat NOTED that the renewal of the Microsoft licences will need to be approved for another month pending the award of a new contract for the provision of ICT services.

18. WORK PROGRAMME AND PERFORMANCE QUARTER 3

- 18.1 The Secretariat TABLED the following:
- Memorandum from the Secretariat.

- Work programme 2022/2023.
- Monitoring convergence with the IPSASB.

18.2 It was NOTED that the table on page 6 needs to be updated to reflect “2”.

18.3 Members ASKED which targets the ASB will not achieve. The Secretariat NOTED that the targets for the publication of the Exposure Draft on Social Benefits and the Educational Material for users will not be met. The post-implementation of GRAP 109 was published during the year, just later than planned (i.e. only the quarterly targets are affected).

19. ANNUAL PERFORMANCE PLAN FOR 2023/24

19.1 The Secretariat TABLED the APP for 2023/2024, which included the budget for the period ended 31 March 2024.

19.2 Members NOTED the APP for 2023/24 and APPROVED the budget for the period.

20. MID-PERIOD STRATEGY REVIEW

20.1 The Secretariat TABLED a memorandum at the meeting and the Mid-period Strategy review.

20.2 Members NOTED the Mid-period Strategy review submitted to the Minister and Department of Performance Monitoring and Evaluation (DPME).

20.3 The Secretariat EXPLAINED that the Operations Committee suggested holding a strategic session. It was AGREED that the last two weeks in May could be the best time to meet. It was also AGREED that the session should be held in-person.

Secretariat

20.4 The Secretariat EXPLAINED that the National Treasury’s Monitoring and Evaluation Unit were no longer able to assist with the monitoring and evaluation process. A factor influencing this decision is that these reviews are not mandatory from National Treasury’s perspective. A service provider will need to be appointed to execute this review. A request to retain part of the surplus for 2022 will be made for the costs of this service provider.

20.5 Members AGREED that this review could be an important source of information for the ASB’s strategy development. However, in a fiscally constrained environment, executing this review may not be possible.

20.6 It was AGREED that a market-analysis should be done to determine the cost of executing this type of work.

Secretariat

21. REVIEW OF GOVERNANCE STRUCTURES OF THE ASB

21.1 The Secretariat TABLED a memorandum outlining considerations for increasing the number of Board members (i.e., fill existing vacancies) and rationalising governance structures.

21.2 Members NOTED that the legislation allows the outsourcing of internal audit. It was OBSERVED that internal audit reports functionally to the Audit Committee, but administratively to the Director-General of National Treasury. Members AGREED that using National Treasury’s internal audit unit could be one option for outsourcing,

and that this arrangement is not dependent on sharing the Audit Committee with the National Treasury.

- 21.3 It was NOTED that if outsourcing to the National Treasury is not possible, then additional funding would be required. This would defeat the point of the outsourced arrangement with the National Treasury.
- 21.4 It was OBSERVED that the IRBA has its own Audit Committee but shares the Internal Audit Unit with the National Treasury.
- 21.5 The Chairperson of the Audit Committee INDICATED that, while there is no objection to sharing the National Treasury's Audit Committee, there are implications that need to be considered. These include (a) cost implications, (b) whether it is feasible for the Audit Committee to take certain operational decisions, and (c) whether it is feasible for the Internal Audit function to take instructions from two Audit Committees.
- 21.6 It was NOTED that the original service level agreement (SLA) between the National Treasury and the ASB should be reviewed to understand the intention for the shared arrangement. It was EXPLAINED that neither the ASB nor the National Treasury have this SLA.
- 21.7 Members AGREED that the SLA may no longer be relevant (and not required). If the Board believes that the governance arrangements are no longer appropriate, then the Board can make changes within the limits of the legislative framework.
- 21.8 A member NOTED that there is a clear duplication of efforts at the Operations Committee and Audit Committee. If the Audit Committee is retained, then the Terms of Reference of the Audit and Operations Committees should be reviewed to minimise potential duplication of effort.
- 21.9 The Board AGREED the following:
- A submission should be made to the Minister requesting that the vacancies on the Board should be filled. The finalisation of this submission was delegated to the Operations Committee.
 - The Secretariat should continue to liaise with the Public Entity Oversight Unit (PEOU) and provide feedback to the Operations Committee and Board.

Secretariat

22. POLICIES

- 22.1 The Secretariat TABLED the following policies at the meeting. Subject to the amendments below, with the detail included in the relevant policy document, the policies were APPROVED:
- Leave policy
 - Materiality and significance framework
 - Procurement policy
 - Travel policy
 - Delegations of Authority
- 22.2 The Board APPROVED the withdrawal of the maternity policy.

22.3 The Board DISCUSSED and/or AGREED the following changes to the leave policy:

- Although the Basic Conditions of Employment (BCEA) explains that leave should be taken within 6 months from the end of the leave cycle, this can be extended. It was agreed that the policy to allow 12 months to take leave should be retained.
- Paragraph 3.5 should be redrafted to be less negative.
- Paragraph 3.8 should be retained as drafted so that the CEO approves leave, and to allow for any objections made by staff to be heard by the Operations Committee or Board.
- It was agreed that the requirement to repay maternity leave if the employee leaves the organisation should be deleted. The debt policy will need to be updated.
- The spouse's mother- or father- in law should also be included in the leave allowed for in the event of death of close family members.

Secretariat

22.4 Members AGREED that the materiality and significance framework should be updated to reflect the audited expenditure figures from the 2021/22 financial statements (and not the transfer from the revenue).

22.5 It was AGREED that the materiality and significance framework needs to be submitted to the National Treasury with the updated strategy and/or APP on an annual basis. It was AGREED that the framework will need to be reviewed earlier to align with the timetable for the preparation of the APP.

22.6 It was AGREED that the material accounting policies should be updated to reflect the remuneration of the Board members.

Secretariat

22.7 Members AGREED with the amendments to the procurement policy to change calendar days to working days. Paragraph 8.28 needs to be updated – the second reference to R2 000 should be changed to R30 000.

22.8 The Secretariat NOTED that the Instruction Note on the cession of contracts was suspended. An analysis will be done to see if changes need to be made to the policy.

Secretariat

22.9 Members agreed that the change to the travel policy should be updated to ensure that the reference to the 5-hour threshold is retained in paragraph 9.5.

Secretariat

22.10 The changes to the Delegation of Authority were SUPPORTED.

23. RISK MANAGEMENT

23.1 The Secretariat TABLED a risk report and an updated risk register. The Secretariat NOTED that the ICT risks will need to be added to the register for the next round of meetings.

Secretariat

- 23.2 It was AGREED that the CEO will discuss the ratings with the Chairperson of the Operations Committee to confirm their accuracy. The National Treasury template automatically populates the relevant fields with these ratings.

Secretariat/Chairperson of Operations Committee

24. LEGAL MATTERS

- 24.1 An update was PROVIDED on potential legal cases in the sector.
- 24.2 The Secretariat NOTED that the PEOU committed to provide funding for legal cases should they arise.

25. FUTURE MEETINGS

- 25.1 The Secretariat NOTED that there are changes to the dates of the Audit Committee meeting. The dates for the last quarter are being reviewed, but it is unlikely that changes can be made given the timeframes for the technical projects.
- 25.2 The Secretariat NOTED that the dates for the remainder of the year will be circulated.

Secretariat

26. GENERAL

- 26.1 The Chairperson of the Board NOTED that he will be moving to Toronto and that chairing the meeting may be challenging given the time difference.
- 26.2 It was AGREED in previous meetings that the Chairperson's role would need to be revisited when he moves to Canada.
- 26.3 The Chairperson of the Audit Committee NOTED that she asked in previous meetings for a legal opinion to be obtained for the Chairperson's situation, including appointing a new Chairperson.
- 26.4 The Secretariat NOTED that the National Treasury did not believe it necessary to obtain a legal opinion. It was also NOTED that the ASB's Regulations are clear on the appointment of the Chair of the Board.
- 26.5 It was AGREED that the a special Board meeting should be held before the next Operations Committee meeting discuss the appointment of a new Chairperson and Deputy-Chairperson.

Secretariat

27. CLOSING REMARKS

Members were THANKED for their participation. The meeting was adjourned at 14:30. An in-committee Board meeting was held immediately after.

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| Prepared by: | J Poggiolini | 4 April 2023 |
| Reviewed by: | C Braxton | 4 April 2023 |
| Issued: | | 5 April 2023 |

Signed by: _____

Date:
