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## **MINUTES OF THE MEETING OF THE ACCOUNTING STANDARDS BOARD**

**DATE:** 19 March 2020  
**TIME:** 11:00 to 14:00  
**VENUE:** ASB, Midridge Office Estate, International Business Gateway,  
Cnr. New Road & 6<sup>th</sup> Road, Midrand

### **PRESENT:**

**CHAIRMAN** C Braxton

### **MEMBERS OF THE BOARD**

F Abba  
L Bodewig (via teleconference)  
K Hoosain (via teleconference until 13:00)  
P Moalusi (via teleconference)  
N Themba

### **BY INVITATION**

P Mzizi (until 13:00)

<b>EX OFFICIO</b>	E Swart	Chief Executive
	J Poggiolini	Technical Director
	A Botha	Project Manager
	E van der Westhuizen	Project Manager (via teleconference)
	T Tshoke	Project Manager

Board Members: Mr V Ngobese (Chair), Ms F Abba, Ms L Bodewig,  
Mr C Braxton, Mr K Hoosain, Ms I Lubbe, Ms P Moalusi, Ms N Themba  
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

## **1. WELCOME AND APOLOGIES**

- 1.1 The Chairman welcomed the members to the meeting. It was NOTED that apologies were tendered by M Sedikela, I Lubbe and V Ngobese were unable to connect successfully via teleconference.
- 1.2 It was NOTED that because of the use of teleconferencing, Mr C Braxton was requested to chair the meeting.

## **2. DECLARATIONS OF INTERESTS**

Members were REQUESTED to declare their interest in any of the agenda items being discussed. No new declarations were made at the meeting.

## **3. CONFIRMATION OF AGENDA**

The agenda for the meeting was CONFIRMED.

## **4. PREVIOUS MINUTES**

- 4.1 The minutes of the meeting held on 5 December 2019 were TABLED. The following amendments were AGREED:
- Paragraph 5.4 should delete the word 'unit'.
  - Paragraph 23.3 should clarify from when the policy is effective.
- 4.2 A member QUESTIONED whether the consultation with the section 4(3) auditors has been done as outlined in paragraph 8.4. The Secretariat NOTED that this still needed to be done.

**Secretariat**

## **5. MATTERS ARISING**

### *General*

- 5.1 The Secretariat TABLED a schedule of matters arising from previous Board meetings.
- 5.2 It was NOTED that a draft letter to request a meeting with the Minister of Finance was submitted to the Chairperson for his approval. It was also NOTED that the PEOU was planning for meetings with the Deputy-Minister on behalf of the entities reporting to the Minister of Finance. The dates have not been finalised yet.
- 5.3 Ms Bodewig reported that one comment letter was received in response to the Notice on the proposed effective date for Standards of GRAP for trading entities. The comment letter expressed support for the proposed date. A submission has been prepared for the Minister to approve the publication of the final notice.

## **TECHNICAL ACTIVITIES**

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

- 6.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
  - Draft minutes of the Technical Committee meeting held on 27 February 2020.
- 6.2 The Secretariat INDICATED that the Exposure Drafts for Revenue and Non-exchange Expenses were issued by the IPSASB. Given their significance, the Technical

Committee would be having a separate discussion on these documents at their next meeting. The Secretariat ASKED the Board what they would like their level of involvement to be in commenting on the Exposure Drafts.

- 6.3 It was AGREED that the Board members should be invited to the session with the Technical Committee so that interested members could attend.

**Secretariat**

## **7. IMPROVEMENTS TO THE STANDARDS OF GRAP (2020)**

- 7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Draft *Improvements to Standards of GRAP (2020)*.

### *Consultation process*

- 7.2 It was NOTED that a low response rate was anticipated to ED 176 on Proposed *Improvements to Standards of GRAP (2019)*. This is because no significant changes were proposed to the principles in the Standards of GRAP and most of the improvements were issued for comment as part of the *Improvements to IPSAS, 2018*.
- 7.3 It was NOTED that the Technical Committee compared the stakeholders identified in the project brief with those consulted during the comment period. The Technical Committee concluded that stakeholders were given sufficient opportunity to participate in the Board's due process.
- 7.4 It was QUESTIONED whether the Provincial Accountants-General (PAGs) were invited to participate in the consultations on ED 176. It was NOTED that the PAGs were invited to the discussion at the Public Sector Accounting Forum and that some of them attended.
- 7.5 The Board CONFIRMED the Technical Committee's conclusion on the due process.

**Secretariat**

### *Matters debated by the Technical Committee*

- 7.6 The Board AGREED to the following amendments concerning the Standards of GRAP based on the recommendations made by the Technical Committee:

#### *GRAP 16 Investment Property*

- Only require the prospective application of amendments on transfers to and from investment property following a change in use as (a) allowing only prospective application will improve comparability, and (b) most entities are likely to apply the improvement prospectively to avoid the application of hindsight.

#### *GRAP 17 Property, Plant and Equipment:*

- Applying the change to land used in quarries and landfills as a change in an accounting policy and not an error.
- Impairment of land should be assessed prospectively on adoption of the improvement.

### GRAP 20 *Related Party Disclosures*

- The reference to management services and what it may comprise should refer back to the definition of management services to be consistent with the IFRS amendments.
- Amounts incurred for the provision of management services also include amounts recognised and/or disclosed as services in kind in terms of GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*.
- The improvement to expand the definition of a related party and the disclosure of related party transactions to include management services should be applied retrospectively as (a) it only impacts the disclosure requirements in GRAP 20; and (b) will enhance comparability where these arrangements were in place in prior periods.
- The disclosure of outstanding related party balances where transactions occur within normal supplier and/or client relationships or those that are undertaken within normal established parameters should be retained based on its usefulness to users.

#### **Secretariat**

7.7 The Board CONSIDERED the recommendation to amend its previous decision to delete appendices outlining illustrative examples. Some Board members NOTED that, before amending its existing policy, the Board should consider why its previous decision to delete these appendices are now inappropriate.

7.8 It was NOTED that the decision was initially taken to delete appendices outlining illustrative examples as the role of the Board is to develop accounting principles, while the role of the National Treasury is to provide implementation support. Some of the appendices in earlier Standards of GRAP provided more implementation than application guidance. For the more recent Standards of GRAP, the National Treasury indicated that some of the illustrative examples included in the appendices are too high level for inclusion in the GRAP Accounting Guidelines.

7.9 The Board CONCLUDED that the initial reason for deleting appendices outlining illustrative examples has changed. It was also AGREED that the existing policy should be updated to reflect that appendices outlining illustrative examples for new Standards of GRAP will be retained, where appropriate.

#### **Secretariat**

7.10 The Board also AGREED that the amended policy should be applied prospectively.

#### **Secretariat**

7.11 The Board APPROVED the Improvements to Standards of GRAP (2020) as final amendments.

#### **Secretariat**

### **8. PROPOSED TRANSITIONAL PROVISIONS FOR THE REVISION OF GRAP 104 ON FINANCIAL INSTRUMENTS**

8.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.

- Proposed Transitional Provisions for GRAP 104 (revised).

#### *General*

- 8.2 The Secretariat OUTLINED the due process followed in consulting on the transitional provisions. The Board CONFIRMED that sufficient opportunity was given to stakeholders to participate in the consultation process.
- 8.3 The Secretariat NOTED that overarching issues were raised relating to GRAP 104. These issues (outlined below) have been communicated to the National Treasury and/or considered in deciding on the way forward for the effective date:
- Data on debtors may be not be credible, reliable, or available.
  - Budget policies in local government need to be amended.
  - The need for implementation support.
- 8.4 The Board SUPPORTED the need to align guidance provided to local government for the budget etc. to Standards of GRAP.

#### *Transitional provisions*

- 8.5 The Secretariat EXPLAINED that stakeholders had different views about how to apply retrospective application of the changes to GRAP 104 without restating comparative information. A key concern was how to assess impairment losses. The two project groups had differing views about whether to provide guidance or not. The firms thought that GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* should be applied, while the preparers thought that clear guidance is needed. Given the issues with data, particularly on receivables, the guidance should indicate that impairment losses are assessed on the date of adoption. The Technical Committee supported providing guidance to be helpful to preparers. It was also agreed that this guidance should extend to all financial instruments.
- 8.6 The Board SUPPORTED the proposal.

#### *Comparative information*

- 8.7 The Secretariat INDICATED that the proposed transitional provisions allowed, but did not require, restatement of comparative information. The restatement could only be done if hindsight was not applied. In order to simplify the requirements, a suggestion was made to delete the option of restating comparative information.
- 8.8 The Board AGREED with the proposal.

#### *Delayed effective date versus transitional relief*

- 8.9 The Secretariat EXPLAINED that, on consultation, there was strong support for delaying the effective date. Questions were asked about what this meant for early adoption. Although not in the Exposure Draft, the Secretariat indicated that early adoption would be allowed, but that the Standard would need to be adopted rather than individual requirements. The preparer project group suggested that the Board revert to the three-year transitional period in order to allow entities to adopt the requirements in stages. The firms did not support this approach for all the reasons initially discussed by the Board, but also raised issues about what to do with new transactions during that period, as well as the need to provide more relief on 'the date

of adoption'. The Technical Committee confirmed the view that the effective date should be delayed, for the reasons outlined, as well as to ensure that sufficient time is available to allow the budget guidelines to be revised.

8.10 The Board AGREED with the delayed effective date of 1 April 2024.

8.11 The Board APPROVED the transitional provisions as final.

## **9. EMERGING ISSUES**

9.1 The Secretariat TABLED a memorandum outlining emerging issues related to the adoption of Standards of GRAP.

9.2 The Secretariat EXPLAINED that there has been a change in legislation governing the traditional authorities. The responsibility for determining their reporting framework is the responsibility of the Premier in each Province. The Technical Committee therefore proposed explaining this in the "reporting framework at a glance" document on the ASB's website and adding it to the agenda for the next trilateral meeting.

9.3 Members QUESTIONED whether there was any possibility of this matter again being referred to the ASB.

9.4 The Secretariat EXPLAINED that the ASB has a mandate to develop Standards of GRAP for certain entities. The development of another reporting framework for entities not listed in the PFMA is outside the Board's mandate.

9.5 Members AGREED that this issue should be brought to the Minister's attention.

### **Secretariat**

9.6 It was NOTED that the PAGs and the National Treasury had developed a potential reporting framework. They would need to consider how this could be made available to the Premiers.

9.7 The progress on the adoption of Standards of GRAP by CET colleges was NOTED.

9.8 The Secretariat EXPLAINED that two of the outreach sessions on the newly effective Standards had to be cancelled due to COVID-19.

## **10. GRAP IMPLEMENTATION**

No specific feedback was provided on this matter.

## **11. TRILATERAL MEETING**

11.1 An oral report on the meeting held on 27 January 2020 was NOTED.

11.2 It was NOTED that the Director-General of the National Treasury and the AGSA expressed a view that the ASB should prepare proposals to respond to the anticipated findings of the Zondo Commission of Enquiry, propose amendments to the PFMA and MFMA based on lessons learnt from the implementation experience of the legislation, and suggest actions for consideration by departments and entities appearing before SCOPA.

11.3 It was NOTED that these proposals are outside the mandate of the ASB and, even though the ASB would be making contributions to any proposals in this regard, it did not have the mandate, resources or funding.

- 11.4 It was NOTED that Ms Bodewig, in her capacity as Chief Director in the Office of the Accountant-General, had made a submission to the Minister to request him to ask his counterpart in the Department of Trade and Industry to appoint the members of the Financial Reporting Standards Council. The Minister has agreed to this and he has sent a letter to this effect. He has also agreed to consider proposals from the National Treasury regarding revisions to standard setting in the public and private sector and the ASB will participate in this process.
- 11.5 It was AGREED that the ASB would continue to participate in the trilateral meeting, but that it would limit its responsibilities to activities permitted in accordance with its mandate.

## **FINANCE AND ADMINISTRATION**

### **12. AUDIT COMMITTEE**

- 12.1 Ms P Mzizi made an oral report on the activities of the Audit Committee.
- 12.2 It was NOTED that the last meeting was held on 4 December 2019 and the next meeting is scheduled for 30 March 2020.
- 12.3 It was NOTED that the Internal Audit Unit was experiencing severe capacity constraints, but that the Audit Committee has ensured that the Internal Audit Unit responded appropriately to high risk areas identified in the ASB risk register.
- 12.4 It was NOTED that the Audit Committee requested the Internal Audit Unit to reconsider the matters reported on the Audit of Fraud, Ethics and Enterprise Risk Management, as the report did not reflect the low risk environment of the ASB.
- 12.5 It was NOTED that the Audit Committee shared the concern of the Board on the level of funding for the ASB and has escalated the matter to the Minister of Finance.
- 12.6 It was QUESTIONED whether the arrangements for the year end audit would be affected by the COVID-19 emergency.
- 12.7 It was NOTED that the arrangements were in place, but that it had been agreed to maintain communication with the external auditors on the matter.
- 12.8 It was AGREED that the CEO would keep the Board informed of any developments in this regard.

**CEO**

### **13. FEEDBACK FROM OPERATIONS COMMITTEE**

- 13.1 A report from the secretariat and the draft minutes of the meeting held on 20 February 2020 was TABLED.
- 13.2 It was NOTED that a letter was sent to the Office of the Chief Procurement Officer in the National Treasury to request condonement of the property lease entered into by the CEO, and that the appropriate disclosure in the annual financial statements regarding irregular expenditure as required in terms of the Treasury Regulations would be made. It was NOTED that the landlord had reduced the ASB rental in January to March to fund the leasehold improvements, but that these expenses exceeded the reduction by R7 658. No provision was made in the budget to replace the carpets, but it was funded from savings.

- 13.3 It was NOTED that in response to the COVID-19 emergency, a loss of R16 367 in relation to the cancellation of attendance of the IPSASB meeting was incurred, and a loss on cancellation of local airfares of R9 671 was incurred. It was AGREED that the losses did not meet the definition of fruitless and wasteful expenditure, but appropriate disclosure would be made in the annual financial statements.

**CEO**

## **ADMINISTRATION**

### **14. WORK PROGRAMME 2019/2020**

- 14.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
  - Updated work programme for 2019/2020.
  - Monitoring of convergence with IPSASB activities.
- 14.2 The Secretariat EXPLAINED that there were no changes to the work programme.
- 14.3 The Secretariat INDICATED that, at present, there are no anticipated changes to the projects for the next quarter, but this would need to be monitored in the context of COVID-19.
- 14.4 Members REQUESTED that they be kept informed of any changes.

**Secretariat**

### **15. MONITORING PERFORMANCE 2019/2020**

- 15.1 The Secretariat TABLED a memorandum from the Secretariat outlining the performance against the targets for the fourth quarter and the year ended 31 March 2020.
- 15.2 The Secretariat EXPLAINED that the IPSASB meeting was not attended due to concerns over travel via Europe.

### **16. RISK REGISTER**

- 16.1 The risk register and a risk report were TABLED for consideration by the Board.
- 16.2 It was AGREED to add the COVID-19 emergency as an emerging risk to the register and the ASB's response to the risk.

### **17. OPERATIONAL POLICIES**

- 17.1 A report on the determination of materiality and significance was NOTED.
- 17.2 Amendments to the Policy on Evaluation of Board Member Performance was APPROVED.

### **18. SUCCESSION PLANNING**

- 18.1 A report on the Succession of Board Members was TABLED for consideration.
- 18.2 It was NOTED that based on current information available to the Board that three members would need to be replaced on the Board by the end of their current term on 21 February 2021.



- 18.3 It was NOTED that four potential candidates have been identified and a further two names have been identified that will be contacted by the CEO to determine their availability.
- 18.4 It was NOTED that the process to implement a staggered rotation of Board Members would be discussed with the Minister and Deputy Minister before making the submission.
- 18.5 It was AGREED to consider the CVs of potential members at the next Board meeting.

**CEO**

## **19. INTERNATIONAL ACTIVITIES**

### *General*

- 19.1 The Secretariat PROVIDED the Board with an overview of the functioning and governance of the IPSASB, and the effectiveness of its standard-setting activities. In light of the discussions, the Board AGREED that the position should be revisited in six months.

**Secretariat**

### *Feedback from March 2020 IPSASB meeting*

- 19.2 The following developments from the March 2020 IPSASB meeting were NOTED:
- **Measurement:** The IPSASB considered the comment received on the Consultation Paper (CP) on *Measurement*. Feedback on the proposal in the CP to expense all borrowing costs was mixed and the IPSASB therefore agreed to retain the options in IPSAS 5 on *Borrowing Costs*. Proposed guidance on the allocation of borrowing costs will be included in IPSAS 5 as part of the next Improvements to IPSAS.
  - **Leases:** The IPSASB agreed to move ahead with IFRS 16, but with a narrow view on the definition of a lease. The project will not continue with the proposals in ED 64 *Leases*.
  - **Heritage and infrastructure:** The IPSASB agreed to include the proposed guidance on heritage and infrastructure in IPSAS 17 on *Property, Plant and Equipment*. IPSAS 17 is likely to be replaced by a new IPSAS. It is likely that the proposed Exposure Draft will be considered in December 2020.
  - **Natural resources:** The IPSASB approved the project brief. The first phase of the project will be a CP.
  - **Non-current Assets Held for Sale and Discontinued Operations:** The IPSASB discussed a draft project brief. The Consultative Advisory Group will review this project brief at its June 2020 meeting.
  - **Limited scope review of the Conceptual Framework:** A project brief was discussed to consider whether amendments are required to the measurement bases identified in the Conceptual Framework. The project will also include a high-level overview of capital maintenance, considering the concepts of unit of account and a review of the qualitative characteristics.

## 20. STAFF MATTERS

*(The meeting was closed to the staff)*

20.1 The following documents were TABLED for discussion:

- The review of performance information for employee incentive purposes.
- The individual performance information.
- The financial forecast to 31 March 2020 for the determination of bonuses.
- A report from the Operations Committee in its capacity as Remuneration Committee.
- Proposed response to Minister of Finance regarding consultation on executive remuneration.

20.2 After some discussion the following was AGREED:

- The operational performance of the Board was set at 100% for the determination of bonuses.
- The proposed bonuses.
- An inflationary increase of 4.6% for all staff with effect from 1 April 2020.

20.3 The letter to the Minister of Finance was approved subject to the updating of the relevant information based on the previous decision (Item 20.2).

## 21. GENERAL

21.1 The remaining meeting dates for 2020 were NOTED.

21.2 The Board meeting was CLOSED at 14:00.

**Prepared by:** Erna Swart **23 March 2020**

**Approved by:** C Braxton **25 March 2020**

**Issued:** 25 March 2020

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

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