



P O Box 7001
Halfway House
Midrand
1685
Tel. 011 697 0660
Fax. 011 697 0666
www.asb.co.za

**MINUTES OF THE BOARD MEETING HELD VIRTUALLY ON 25 MARCH 2021
AT 10:00**

PRESENT

CHAIRPERSON

C Braxton

MEMBERS OF THE BOARD

D Dlamini (joined 12:15)

W de Jager

K Maree

P Masegare (left 13:30)

P Moalusi

M Sedikela

N Themba

A van der Burgh

EX OFFICIO

E Swart

Chief Executive Officer

J Poggiolini

Technical Director

A Botha

Standard Setter

T Tshoke

Standard Setter

E van der Westhuizen

Standard Setter

Board Members: Mr C Braxton, Mr D Dlamini, Ms W de Jager, Ms K Maree,
Dr P Masegare, Ms P Moalusi, Ms M Sedikela, Ms N Themba, Mr A van der Burgh
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini

1. WELCOME AND APOLOGIES

Members were WELCOMED to the first meeting of the new Board. An apology was NOTED from the chair of the Audit Committee, Ms P Mzizi.

2. ELECTION OF CHAIR AND DEPUTY CHAIR

2.1 It was NOTED that the Board met on the 19th of March 2021 and elected Mr C Braxton as the Chair and Ms P Moalusi as the Deputy Chair.

2.2 Members DISCUSSED the allocation of the members to the Board's sub-committees. It was AGREED that the members should be appointed at the Board meeting, and that the Chairs should be elected at the next sub-committee meetings and a report back provided to the Board. The following allocations were AGREED:

- C Braxton – Operations Committee and Technical Committee
- P Moalusi – Operations Committee
- N Themba – Operations Committee
- W de Jager – Operations Committee
- P Masegare – Technical Committee
- A van der Burgh – Technical Committee
- D Dlamini – Technical Committee

2.3 The Chair NOTED that he was requested to authorise two leave forms for the CEO and the payment of her salary for March 2021 before being elected as Chair.

2.4 It was AGREED that the request for authorisations would be resubmitted to the Chair for approval.

Secretariat

3. DECLARATIONS OF INTERESTS

It was CONFIRMED that all declarations have been submitted to the Secretariat, and that no members have interests in items on the agenda.

4. CONFIRMATION OF THE AGENDA

The agenda was CONFIRMED subject to the following conditions:

- Delegations of authority.
- Holding an in-committee discussion at the end of the meeting.

5. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were APPROVED subject to the following amendments:

- The spelling of the name of the Auditor-General should be amended.
- Item 5.2 – The sentence should be amended to reflect that the Minister sent communication to the Chairperson of the Board.
- Item 16.3 – The revised budget will not be discussed at this meeting.

- Item 22.2 – The sentence should be amended to indicate that the meeting was adjourned for an in-committee meeting on 4 December 2020.

Secretariat

6. MATTERS ARISING

- 6.1 The Secretariat TABLED a memorandum outlining progress on matters arising from previous meetings.
- 6.2 The Secretariat NOTED that the first meeting of the financial instrument reference group was held on 10 March 2021. The session was well attended, and many of the attendees were involved in the development of the revised Standard and transitional provisions. The key actions arising from the meeting were as follows:
- The terms of reference will be confirmed at the next meeting.
 - A draft work programme of the group will be presented and agreed.
 - The group will meet quarterly. For the remainder of the year - June, September, and December were suggested.
- 6.3 The Secretariat EXPLAINED that once the work programme is agreed, the National Treasury will be in a better position to provide an indication of resources available to support the group.
- 6.4 The Secretariat NOTED that the Financial Accountant will retire at the end of April 2021. The CEO and Technical Director will brief recruiters on 26 March to assist with the recruitment of her successor. It is anticipated that the CEO and Technical Director will interview potential candidates. Members were INVITED to indicate if they would like to join the interview process.
- 6.5 The Board DISCUSSED the process to approve the appointment of the Financial Accountant. The CEO INDICATED that the Board approves the appointment of technical staff, but the appointment of operational staff was delegated to the CEO.
- 6.6 The Board AGREED that they would need to review all the written delegations to confirm the process. The CEO AGREED to make all the delegations available.

Secretariat/Board

TECHNICAL MATTERS

7. FEEDBACK FROM THE TECHNICAL COMMITTEE

- 7.1 The Secretariat TABLED a report outlining feedback from the Technical Committee held on the 2nd of March 2021.
- 7.2 The Secretariat NOTED that the Technical Committee recommended the finalisation of the review of GRAP 2 on *Cash Flow Statements*, and the issue of the final amendments to GRAP 25 on *Employee Benefits*.
- 7.3 The Secretariat INDICATED that the following matters were discussed for noting by the Board:
- Discussion on the revision of Prefaces to the pronouncements and the proposal to develop a due process Handbook.

- Emerging issues.
- International Exposure Drafts issued by the IPSASB.

8. RESULTS OF THE DESKTOP REVIEW OF GRAP 2 ON CASH FLOW STATEMENTS

- 8.1 The Secretariat TABLED the results of the review and proposed actions at the meeting.
- 8.2 It was NOTED that the objective of the GRAP 2 review (the review) was to assess compliance with GRAP 2, and to identify practices and emerging issues relating to the preparation of the cash flow statement.
- 8.3 It was NOTED that the findings from the review were discussed with stakeholders involved in preparing the cash flow statement, as well as with auditors and technical specialists (hereafter collectively referred to as stakeholders) during February 2021. The Technical Committee considered the results, stakeholders' feedback on possible root causes and the proposed actions at its meeting held on 2 March 2021.

Approach undertaken to select financial statements

Scope of the review

- 8.4 It was NOTED that the review focused on compliance with the requirements in GRAP 2, and how information is presented in the cash flow statement. The areas not considered during the review were NOTED as follows:
- the presentation of cash flow items on a net basis in a principal-agent arrangement should be assessed when the Board undertakes a review of GRAP 109 on *Accounting by Principals and Agents*; and
 - the encouraged disclosures on cash flows arising from operating, investing, and financing activities of each reportable segment should be monitored. If any concerns are noted, a review of GRAP 18 should be considered as a potential Board project.
- 8.5 The Board AGREED with these recommendations.

Secretariat

Sample selected and sufficiency of the review

- 8.6 The Board NOTED the approach to selecting financial statements for the review.
- 8.7 It was NOTED that during the stakeholder engagement, it was proposed that management reports should also be reviewed to highlight challenges experienced with the preparation of the cash flow statement prior to the completion of the audit. It was NOTED that the Technical Committee confirmed that only audited financial statements should be reviewed as these are publicly available.
- 8.8 Some Board members DISAGREED with the Technical Committee's recommendation. It was NOTED that the Secretariat should have also considered unaudited financial statements as they could have highlighted other challenges experienced with the preparation of the cash flow statement.
- 8.9 It was NOTED that the unaudited financial statements and management reports of entities included in the review can be requested directly from the AGSA or the provincial treasuries, subject to confidentiality arrangements.

- 8.10 Other Board members NOTED that the objective of the review was to understand if any amendments are required to GRAP 2 to clarify the principles in the Standard. Implementation challenges are outside the Board's mandate as a standard-setter. As a result, desktop reviews only consider audited financial statements and/or other publicly available information as that is the information that is available to users of financial statements. A desktop review is similar to the JSE's Proactive Monitoring process.
- 8.11 It was also NOTED that if the Secretariat is required to review management reports and unaudited financial statements, consideration should be given to the number of desktop reviews that can be undertaken by the ASB given its limited resources. Identifying the root causes of issues at individual entities and whether they are related directly to the Standard(s) would likely require detailed engagements with the management of entities. The initial purpose of the reviews was to identify pervasive issues at entities, rather than to review and engage with individual entities on their financial statements.
- 8.12 It was NOTED that universities should be encouraged to enhance their training on public sector accounting to improve the quality of public sector financial statements. It was NOTED that the issues identified from the desktop review are not limited to the public sector as similar issues were noted from reports issued by other regulatory bodies related to the private sector.
- 8.13 It was also NOTED that the Technical Committee recommended that a policy on conducting desktop reviews should be drafted to explain the objective and output of desktop reviews. It was AGREED that this policy should be developed and that the Technical Committee should consider and make a recommendation to the Board as to whether desktop reviews should be limited to publicly available information.

Secretariat

- 8.14 It was QUESTIONED if the Technical Committee considered whether the sample selected was appropriate. It was NOTED that the Technical Committee concluded that the financial statements reviewed were sufficient to identify pervasive issues and other areas where corrective action may be necessary. It was NOTED that metropolitan municipalities deal with the most diverse issues relating to the cash flow statement. Five of the eight metropolitan municipalities were included in the sample.
- 8.15 The Board AGREED with these recommendations.

Secretariat

Approach to address the issues noted from the review

- 8.16 It was NOTED that the Technical Committee recommended that:
- the findings of the review should be shared with:
 - (a) the OAG, to enable them to consider the impact of these findings, if any, on the GRAP 2 Accounting Guideline;
 - (b) IRBA and the Public Sector Audit Committee Forum so that auditors are aware of the findings;
 - (c) the JSE, as they are responsible for public sector debt issuers;
 - (d) the CIPC as part of their project to develop a GRAP XBRL taxonomy; and

- a Research Paper should be published that outlines the findings of the review along with the Board's actions.
- 8.17 It was QUESTIONED whether the Secretariat considered the guidance already included in the GRAP 2 Accounting Guideline prior to making recommendations to share the results of the review with the OAG.
- 8.18 It was EXPLAINED that the Secretariat did not assess entities' compliance with the requirements in the GRAP 2 Guideline. Instead, the Guideline was reviewed to identify potential areas of improvement based on the results of the review. The member from the National Treasury CONFIRMED that the OAG will reconsider the guidance to clarify the principles in the Guideline based on the results of the review.
- 8.19 The Board AGREED with the recommendation to share the results of the review with other stakeholders and to publish a Research Paper.

Secretariat

Results of the desktop review

General observations and proposed actions

- 8.20 It was NOTED that stakeholders confirmed that the principles in GRAP 2 are appropriate, but that entities have challenges with the application of the principles relating to:
- capacity constraints;
 - lack of skills;
 - errors and mathematical mistakes; and
 - inadequate adjustments processed by software programs or incomplete templates.
- 8.21 The Board NOTED that stakeholders acknowledged that a behaviour change is needed to recognise the importance of the cash flow statement, that more time should be allocated to ensure its accurate preparation and that there should be a bigger focus to hold management accountable for the preparation thereof.
- 8.22 The Board NOTED the proposals from stakeholders to assist entities with the preparation of the cash flow statement. It was NOTED that the Technical Committee concluded that the development of an illustrative example and working template could drive the wrong behaviour and could discourage preparers from considering entity specific transactions and events when preparing the cash flow statement. It was NOTED that the Technical Committee recommended that the feedback in the following areas should be shared with the OAG:
- the development of a detailed illustrative example and working template;
 - the need for more application guidance;
 - the development of a checklist setting out the GRAP 2 requirements;
 - the need for a workshop on the preparation of the cash flow statements; and
 - the development of appropriate internal management systems to identify the adjustments needed in preparing the cash flow statement.

8.23 The Board AGREED with these recommendations.

Secretariat

8.24 It was also NOTED that the Technical Committee recommended that the illustrative example in GRAP 2 should not be re-instated as this will result in duplication as similar guidance is already included in the GRAP 2 Accounting Guideline.

8.25 It was QUESTIONED why preparers proposed the re-instatement of the illustrative example if such an example is already included in the GRAP 2 Accounting Guideline. It was NOTED that this was because of the update of the Accounting Guidelines was completed after the preparation of the 2018/19 financial statements.

Application of materiality in preparing the cash flow statement

8.26 It was NOTED that some stakeholders indicated that materiality is not specifically considered when preparing the cash flow statement, while others indicated that they apply the same materiality threshold to the different components of the financial statements.

8.27 It was NOTED that the Technical Committee recommended that:

- the Research Paper should emphasise the importance of preparing the cash flow statement as a component of the financial statements; and
- the Guideline on *The Application of Materiality in Financial Statements* (Materiality Guideline) should be expanded to explain that different materiality levels can be considered for the different components of the financial statements.

8.28 The Board AGREED with these recommendations.

Secretariat

Reconciliation of surplus/(deficit) to net cash flows from operating activities

8.29 The areas of non-compliance were NOTED, with the main reasons for the non-compliance being a lack of (a) understanding the nature of the entity's activities; and (b) adequate processes to identify non-cash items or other adjustments needed to prepare the cash flow statement.

8.30 It was NOTED that the Technical Committee AGREED that these root causes should be shared with the OAG as they relate to the implementation of GRAP 2.

8.31 The Board AGREED with this recommendation.

Secretariat

Operating activities

8.32 The Board NOTED the areas of non-compliance as well as emerging trends in the presentation of information. It was NOTED that preparers are uncertain about (a) whether VAT should be presented separately as an operating cash flow on the face of the cash flow statement or whether it should be presented as a movement in working capital; and (b) whether VAT should be included or excluded from cash receipts or payments.

8.33 The Board AGREED with the recommendation to share the need for guidance on the treatment of VAT with the OAG.

Secretariat

Investing activities

8.34 The Board NOTED the areas of non-compliance relating to investing activities. Reasons for the differences between amounts reflected as acquisitions of assets on the face of the cash flow statement, and those presented in the notes to the financial statements were NOTED. Stakeholders expressed a need for guidance on the treatment of insurance revenue.

8.35 The Board AGREED with the recommendation to share the need for guidance on the treatment of insurance revenue with the OAG.

Secretariat

Financing activities

8.36 The Board NOTED the areas of non-compliance relating to financing activities, and the different treatment of consumer deposits held by municipalities.

8.37 It was NOTED that the Technical Committee recommended that:

- the need for guidance to ensure the consistent classification of changes in consumer deposits from one year to the next should be shared with the OAG; and
- the classification of consumer deposits should be linked to GRAP 104 on *Financial Instruments*. As guidance on the treatment of consumer deposits is already included in the Fact Sheets to GRAP 104 (2019), the guidance should be converted into a FAQ for the current version of GRAP 104.

8.38 The Board AGREED with these recommendations.

Secretariat

Cash and cash equivalents

8.39 It was NOTED that several entities do not have an accounting policy for cash and cash equivalents. It was NOTED that stakeholders confirmed that they do not have an accounting policy for cash and cash equivalents as, in their view, the information presented in the disclosure note for cash and cash equivalent provides sufficient information to users. It was also NOTED that some entities rigidly apply the three-month reference in the GRAP 2 explanation of when an investment qualifies as a cash equivalent.

8.40 It was NOTED that the Technical Committee recommended that:

- an explanation should be included in the Materiality Guideline that an accounting policy will not be included in the financial statements for items that are immaterial; and
- the comment on the three-month period should be shared with the OAG for explanation in the Guideline.

8.41 The Board AGREED with these recommendations.

Secretariat

Other GRAP 2 disclosures

- 8.42 It was NOTED that only a few entities included disclosures on significant cash and cash equivalent balances that are held by the entity, but not available for use. None of the entities included disclosures on undrawn borrowing facilities or disclosures of cash flows arising from the operating, investing, and financing activities of each reportable segment.
- 8.43 The Board AGREED with the recommendation that the encouraged disclosures in all the Standards of GRAP should be reviewed as part of its next Improvements Project.

Secretariat

9. REVIEW OF THE COMMENTS RECEIVED ON ED 184 ON REVIEW OF EMPLOYEE BENEFITS

- 9.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Proposed Standard of GRAP on *Employee Benefits* (revised 2021).
 - Proposed Interpretation of the Standard of GRAP on *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (revised 2021).
- 9.2 The background to the project was NOTED. It was NOTED that the objective was for the Board to consider the consultations undertaken, key comment received and the proposed responses thereto, as well as to approve the revisions GRAP 25 and IGRAP 7.

Consultation process

- 9.3 It was NOTED that the Technical Committee supported the view that all stakeholders in the project brief were given sufficient opportunity to participate in the Board's due process.
- 9.4 The Board AGREED that stakeholders were given sufficient opportunity to participate in the due process.

Summary and analysis of comment received

- 9.5 It was NOTED that the key comment received, and proposed responses thereto were supported by the Technical Committee, as follows:
- Alignment with international requirements - a concern was raised about whether it is appropriate to align GRAP 25 and IGRAP 7 to international requirements. The information value of the changes to users was also questioned.

The Board applied its policy of aligning Standards of GRAP with IPSAS when it is consistent with the mandate and strategy of the ASB. The proposed amendments are an improvement to the existing Standard as more comprehensive guidance is provided and the disclosure requirements improved. The Secretariat will create awareness about the Board's process to set Standards, including when it aligns with international requirements.

- Interaction with other requirements - stakeholders were unsure how information should be presented where GRAP 25 has similar disclosure requirements to legislative requirements and other Standards of GRAP.

Two FAQs will be developed on the interaction of (a) legislative disclosure requirements with Standards of GRAP broadly, and (b) Standards of GRAP where two or more Standards have similar requirements, for example GRAP 25 and GRAP 20 on *Related Party Disclosures*.

Secretariat

- Disclosure of short-term employee benefits – it was questioned whether the disclosure of short-term employee benefits is sufficient for the public sector.

No changes to GRAP 25 are proposed at present, but stakeholders will be consulted on potentially including a project on the disclosure of short-term employee benefits on the Board’s next work programme.

Secretariat

- Post-employment defined benefit plan definitions - respondents requested guidance on how informal plans could meet the definitions in GRAP 25.

A FAQ will be developed on the definitions in GRAP 25 and would summarise the guidance in GRAP 25.

Secretariat

- Amendments, curtailments, and settlements of defined benefit plans - stakeholders asked about the involvement of actuaries when defined benefit plans are amended, curtailed, or settled, and how actuarial valuations in subsequent periods that retrospectively impact financial statements, should be treated.

An existing FAQ on *Must an entity appoint an actuary at every reporting date to measure its defined benefit obligations* will be amended to add guidance on these matters.

Secretariat

9.6 The Board SUPPORTED the proposed responses to comment received.

Transitional provisions and effective date

9.7 It was NOTED that respondents agreed with the proposed transitional provisions and effective date of 1 April 2023, which is the earliest possible date based on the Board’s processes. GRAP 25 was amended to allow early adoption of the changes, with a related disclosure requirement.

Review and approval of GRAP 25 and IGRAP 7

9.8 The changes made to GRAP 25 and IGRAP 7 post exposure were REVIEWED by the Board. The Board approved GRAP 25 and IGRAP 7 for issue.

9.9 It was NOTED that the next step is to submit the proposed effective date of 1 April 2023 to the Minister of Finance for approval. Other initiatives as an outcome of the project were NOTED. These include creating awareness of the changes with stakeholders,

informing the OAG of the changes to update the GRAP Accounting Guideline, and communicating concerns relating to the budgeting process with the National Treasury.

Secretariat

10. REVIEW OF THE PREFACES TO THE STANDARDS OF GRAP AND RELATED PRONOUNCEMENTS

10.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Project brief.
- [Revised] Preface to the Standards of GRAP.
- Preface to the Interpretations to the Standards of GRAP.
- Preface to the Directives.
- [Revised] Introduction to the Standards of GRAP.

10.2 The background and objective of the project were NOTED.

10.3 The findings of the review of the Prefaces and recommendations of the Technical Committee were NOTED.

Issue #1: Whether a single Preface should be issued to replace the existing three Prefaces

10.4 The Board SUPPORTED the recommendations of the Technical Committee that:

- A single comprehensive *Preface to the Standards of GRAP* should be issued. The revised Preface will replace the existing Prefaces. Content on the standard setting procedures and due process will be removed and documented in a “due process handbook”.
- The due process handbook should be subject to a public consultation process, and once finalised, be made publicly available.

Issue #2: Whether or how the IPSASB’s characteristics of public sector entities for which IPSAS are developed should be included in the Board’s Prefaces

10.5 The Board SUPPORTED the recommendations of the Technical Committee that:

- It is not necessary to include the characteristics in the Conceptual Framework and in the revised Preface. The use of the characteristics in paragraph 1.10 of the Conceptual Framework is sufficient, and a reference to that paragraph should be included in the revised Preface.
- The due process document should emphasise the Board’s mandate, and stakeholders should give input on the characteristics when the due process handbook is developed.

10.6 The proposed revisions to paragraph 4A of the revised Preface were CONFIRMED subject to minor wording changes.

Secretariat

Issue #3: Whether to amend the Preface to the Standards of GRAP following the approval of the policy on *Convergence with International Standards*

10.7 The Board AGREED that for consistency with the recommendation to issue #1, the revised Preface should not discuss the convergence policy. However, the material proposed for deletion should be considered for inclusion in the due process handbook.

Issue #4: Whether to include the basis for conclusions paragraphs from IPSAS or IFRS Standards in the Standards of GRAP

10.8 The Board SUPPORTED the recommendation that the revised Preface and boilerplate introduction should clarify that, where a Standard is based on an international equivalent, the basis for conclusions of the international equivalent should be considered.

10.9 Additionally, the Board AGREED that since there are no copyright restrictions on IPSAS, links to the IPSASB's basis for conclusions should be provided on the ASB website. A reference to the basis for conclusions should also be added to each pronouncement, where applicable.

10.10 Members QUESTIONED the need for the proposal to request the OAG to consider including IPSASB/IASB decisions supporting key principles in the Standards in the National Treasury's GRAP Accounting Guidelines.

10.11 The Secretariat CLARIFIED that since the Board's basis for conclusions does not replicate decisions reflected in the international equivalent, it believed that some material in the basis for conclusions could be repurposed as implementation guidance to assist in the broader understanding of how certain principles were established.

10.12 Members CONCURRED that there is useful information in the basis for conclusions and that this is a practical way to make the information available as most preparers generally do not read the basis for conclusions.

10.13 Members CAUTIONED against replicating the basis for conclusions in the GRAP Accounting Guidelines. It was noted that material that is repurposed for the Guidelines should focus on the areas or principles that are known to be challenging to preparers.

10.14 It was AGREED that the Secretariat should engage with the OAG on this matter.

Secretariat

10.15 The proposed revisions in paragraph 15E, and the boilerplate introduction were CONFIRMED.

Issue #5: Whether public colleges applying Standards of GRAP should be included in boilerplate introduction to the ASB pronouncements

10.16 Members AGREED that, for consistency with the recommendation to issue #2, the list of entities in the revised Preface and boilerplate should not be expanded to include public colleges as the existing list is consistent with the Board's legislated mandate.

Other amendments to the boilerplate introduction to pronouncements

10.17 Members AGREED that a single boilerplate should be issued that does not replicate the information in the revised Preface.

10.18 The proposed revisions to the boilerplate introduction were CONFIRMED.

Final review of the revised Preface

10.19 Members REVIEWED the revised Preface, and subject to the reinstatement of the guidance on FAQs, APPROVED the document in principle.

10.20 It was AGREED that final approval will be provided in the next quarter subject to input from a limited group of stakeholders.

Secretariat

10.21 Members CONFIRMED the timing of the publication of the final documents in 2022/23.

10.22 Members NOTED the tabling of the proposed due process document at the September 2021 Board meeting.

11. EMERGING ISSUES

11.1 The Secretariat TABLED a memorandum outlining a summary of emerging issues.

11.2 Members EXPRESSED concern about the length of time that has been afforded to the revenue authority to adopt Standards of GRAP. Concern was expressed about the need for accrual information about revenue collected and the outstanding debts owed to the fiscus.

11.3 It was AGREED that the Secretariat would communicate concerns to the Minister of Finance in a submission about the outstanding adoption of accrual accounting by departments.

Secretariat

11.4 The Secretariat EXPLAINED the context for the request for exemption from applying Standards of GRAP made to the National Treasury by a public entity.

11.5 The member from the National Treasury NOTED that a proposal was made to the Minister of Finance to extend the exemption for two years.

11.6 Members EXPRESSED concern about the granting of ~~the~~ additional extension, and what the intended result would be once the two-year period ended.

11.7 Members PROPOSED to the member from the National Treasury that the extension should be granted subject to progress being made on the adoption of Standards of GRAP.

11.8 The Secretariat OUTLINED the progress made by the CET colleges in adopting Standards of GRAP.

11.9 It was AGREED that the progress by the CET colleges need not be reported in future.

11.10 The actions related to GRAP 109 were NOTED.

11.11 The Secretariat EXPLAINED the issues related to entities that undertake "insurance-like" activities and the proposal to issue communication to affected entities. Members SUPPORTED the actions.

11.12 The Secretariat NOTED that issues were raised about the control of constitutional institutions in the last audit cycle. The Secretariat EXPLAINED that the position in the Standards of GRAP on transfers of functions and mergers should be applied by entities as the Standards are secondary legislation and are legally binding on entities. No additional feedback has been received by the Secretariat about whether this

matter has been resolved or not between the auditors and auditee. Progress will be monitored.

11.13 The Secretariat EXPLAINED that the publication deadline would not be met for the Government Gazette outlining the proposed effective dates for Standards of GRAP. As a result, a proposal was made by the Technical Committee to write to the Minister of Finance asking for all proposed dates to be moved one year forward.

11.14 Members SUPPORTED the proposal. It was OBSERVED that the submission to the Minister and his action would require urgent attention.

Secretariat

11.15 The actions related to the adoption of newly effective Standards were NOTED. The FAQs that were issued after the March 2021 Accounting Forum meeting were also NOTED.

12. GRAP IMPLEMENTATION

12.1 It was NOTED that the process to evaluate the applications for extensions to implement Standards of GRAP by SARS and SANRAL were underway.

12.2 It was RECOMMENDED that both applicants are requested to submit action plans that could be monitored by the National Treasury to ensure the adoption of the Standards at the end of the extension period.

12.3 It was NOTED that trilateral meetings have been scheduled for the year. The purpose of the meetings will continue to be to share experiences, monitor compliance with the implementation of Standards of GRAP and improvements in financial management in the public sector, and to consider pro-active initiatives to avoid potential financial reporting difficulties.

FINANCES AND ADMINISTRATION

13. AUDIT COMMITTEE

13.1 A report from the Audit Committee was TABLED at the meeting.

13.2 It was NOTED that the Audit Committee had considered the performance of the external auditors, Morar inc., and has recommended that they be re-appointed.

13.3 It was NOTED that the external auditors are completing the third audit of a five-year contract, after which the audit would be rotated to new auditors in accordance with the procurement process.

13.4 The Board AGREED that the auditors should be re-appointed.

Secretariat

13.5 The final report from the Internal Audit Unit on the Consulting Review of Supply Chain Management Processes within the ASB was TABLED for consideration.

13.6 It was QUESTIONED why the two matters that were reported could not be resolved with the Internal Audit Unit.

13.7 It was NOTED that the Policy on Expenditure Management permitted the CEO to authorise the expenditure on the reception desk and that SCM Practice Note 8/2007 allowed the Accounting Authority the right to approve a deviation from the requirement to obtain three quotes.

- 13.8 It was AGREED that a new request for quotes for cleaning would be issued in the new financial year.

Secretariat

14. FEEDBACK FROM THE OPERATIONS COMMITTEE

- 14.1 A report from the Operations Committee meeting held on 25 February 2021 was TABLED.
- 14.2 The Chair NOTED that the staff matters arising from the Operations Committee meeting would be considered during the in-committee meeting.
- 14.3 The CEO tabled the implementation plan to give effect to the decision to replace the physical server with a cloud-based application.
- 14.4 It was CONFIRMED that all the jurisdictional concerns regarding hosting data in the cloud were removed and that the application will be hosted in South Africa.
- 14.5 It was NOTED that the CEO was meeting with the IT Service Provider on 29 March 2021 to finalise the transition. As the transition will be performed by the Secretariat, no additional costs are being anticipated. Should support be required that exceed the monthly service provision, the agreed policy would be followed to obtain approval.
- 14.6 It was NOTED that, as the transfer of data from the server to OneDrive is already possible, the meeting with the IT service provider is specifically to determine the procedure to follow to transfer data to SharePoint to determine the protocol for limiting access to specific documents.

15. WORK PROGRAMME

- 15.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat.
 - Work programme for 2020/2021.
 - Monitoring convergence with the IPSASB.
- 15.2 The Secretariat NOTED that the Board was meant to discuss the projects for 2022/2023 at this meeting. The Secretariat has postponed this to the next meeting to allow new members to familiarise themselves with the Board's activities. This amendment will be made to the work programme.

Secretariat

16. PERFORMANCE AGAINST TARGETS

- 16.1 The Secretariat TABLED a progress report outlining the achievement of the quarterly and annual targets.
- 16.2 The Secretariat NOTED that, except for two projects, the targets for the quarter and year were met.

17. RISK MANAGEMENT

- 17.1 The Secretariat TABLED a risk report and revised risk register at the meeting.

- 17.2 It was NOTED that Risks 13 and 14 would be combined with existing risks in the register and that it may result in an increase in the likelihood of the risk materialising, but that the issue would be considered at the next Operations Committee meeting.
- 17.3 It was also NOTED that inconsistencies were identified in some of the risk ratings and that they would be corrected.
- 17.4 It was NOTED that one member claimed that changes had been made between the version of the register tabled at the Operations Committee and the version being tabled at the current meeting, but this was repudiated.
- 17.5 Objections to specific text were NOTED and it was AGREED that those discussions would be resolved at the next Operations Committee meeting.

Operations Committee/Secretariat

18. INTERNATIONAL STANDARD SETTING ACTIVITIES

- 18.1 The Secretariat NOTED that an update for the December 2020 IPSASB meeting is available online.
- 18.2 The IPSASB approved the following documents for comment at its December 2020 and February 2021 meetings:
- Proposed IPSAS on *Leases*.
 - Proposed IPSAS on *Measurement*.
 - Amendments to IPSAS 17 on *Property, Plant and Equipment*.
 - Amendments to the Chapter on Measurement in the Conceptual Framework.
 - Proposed IPSAS on *Non-Current Assets Held for Sale and Discontinued Operations*.
- 18.3 The Exposure Draft on the proposed IPSAS on Leases was issued in January 2021 and issued concurrently for comment. Consultation with local stakeholders is underway. A comment letter will be submitted to the IPSASB in May 2021.
- 18.4 The remaining four Exposure Drafts are expected to be issued in April 2021 and will have a comment period of six months.
- 18.5 An oral feedback of the March 2021 meeting was provided as follows:
- *Natural resources* – The IPSASB is developing a Consultation Paper (CP) on natural resources. The IPSASB agreed that prior to extraction, subsoil resources can be controlled but there were mixed views on whether subsoil resources should be recognised given their measurement uncertainty prior to extraction. It was agreed that living resources are resources that should be recognised. However, it was unclear whether the approach followed to assess the degree of human intervention is still appropriate as it results in most plants and animals being scoped out of the CP. The IPSASB discussed the inclusion of guidance on IFRS 6 on *Exploration for and Evaluation of Mineral Resources* to provide guidance of exploration and evaluation expenditures.
 - *Operating Segments* – The IPSASB is considering a project to amend or update IPSAS 18 on *Segment Reporting*. The IPSASB noted the reluctance to apply the IPSAS in some jurisdictions. It was agreed that a paper will be developed to consider

the issues experienced with IPSAS 18. South Africa's experience on the change from a Standard of GRAP based on IPSAS to one based on IFRS will also be considered.

- *Accounting and reporting by retirement benefit plans* – The IPSASB approved a project brief to develop an IPSAS addressing accounting and reporting by retirement benefit plans. The IPSASB noted that IAS 26 on *Accounting and Reporting by Retirement Benefit Plans* is outdated, and inconsistent with the Conceptual Framework and IPSAS 39 on *Employee Benefits*. The proposed IPSAS will also consider guidance developed by other jurisdictions.
- *Revenue and Transfer Expenses* – The IPSASB considered the analysis of responses from constituents on the three Exposure Drafts on revenue and transfer expenses. The IPSASB agreed to a project plan to guide when and how to address the key issues identified.

19. STAFF RESOURCES

19.1 The meeting continued in-committee from 15:45 to 17:45 to consider the following documents from the Operations Committee in its capacity as Remuneration Committee:

- Assessment of performance of the organisation against its predetermined objectives.
- Determination of performance rewards, if any.
- Determination of adjustments to remuneration, if any.

GENERAL

20.1 It was NOTED that changes to the current delegations from the Board to its committees and the CEO, and to delegations to specific Board Members may be needed.

20.2 It was AGREED that the Secretariat would circulate the Terms of Reference of the Board Committees and any other delegations to the Board Members for consideration by the Operations Committee before the next Board meeting to enable the Operations Committee to make recommendations to the Board.

FUTURE MEETINGS

21.1 The future meeting dates were NOTED.

21.2 The meeting was CLOSED at 17:45.

Prepared by:	E Swart	31 March 2021
Reviewed by:	C Braxton	01 April 2021
Issued:	19 April 2021	