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MINUTES OF THE BOARD MEETING HELD VIRTUALLY ON 24 JUNE 2021 AT 10:00

PRESENT:

CHAIR

C Braxton

MEMBERS OF THE BOARD

D Dlamini

W de Jager

K Maree (Left meeting at 15:00)

P Masegare (Left meeting at 16:00)

P Moalusi (Deputy-Chair)

N Themba

A van der Burgh

OBSERVERS

N Ngaka (AGSA)

EX OFFICIO

E Swart

Chief Executive Officer

J Poggiolini

Technical Director

S Peter

Accountant

T Tshoke

Standard Setter

E van der Westhuizen

Standard Setter

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

1. WELCOME AND APOLOGIES

- 1.1 Members were WELCOMED to the meeting.
- 1.2 An apology was NOTED from the chair of the Audit Committee, Ms P Mzizi and A Botha.
- 1.3 It was NOTED that the AGSA requested that Ms M Sedikela be replaced by Ms A Muller. Until the Minister of Finance has confirmed the change, Mr N Ngaka, will attend the Board meetings.

2. DECLARATIONS OF INTERESTS

No new Declarations of Interests were NOTED nor any declared at the meeting.

3. CONFIRMATION OF THE AGENDA

The AGENDA for the meeting was CONFIRMED, subject to the following:

- A closed meeting for members only will be held at the end of the meeting to discuss Agenda item 15 and Matters arising from the Operations Committee.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 25 March 2021 were APPROVED, without any amendment.

5. MATTERS ARISING

- 5.1 A report on matters arising from previous meetings was TABLED.
- 5.2 It was NOTED that the Minister of Finance hosted a Heads of Entities meeting on 11 June 2021. At the meeting he noted that since the last meeting held in March 2021, he had received a range of submissions from entities regarding his interactions with entities and that where there are Boards, future communication would be through the Boards, but in the absence of a Board, the interactions would be with the Head of the Entity. Accordingly, Heads of Entities meetings will be an opportunity to share information and would not deal with governance and oversight issues. The CEO advised him that there were potential concerns regarding the appropriateness of accounting for liabilities at the Road Accident Fund and the proposal for the ASB to close its offices. Both matters are on the Agenda for discussion.

6. FEEDBACK FROM THE TECHNICAL COMMITTEE

- 6.1 The Secretariat TABLED a report outlining feedback from, and recommendations of, the Technical Committee meeting held on 1 June 2021.
- 6.2 The Secretariat NOTED that the status of the actions arising from the review of heritage assets was added. The development of changes to the Standards and FAQs are underway and will be presented in September 2021. There are two communication actions that are outstanding.

7. TECHNICAL MATTERS

Review of the comments received on ED 185 on The Effect of Past Decisions on Materiality

- 7.1 The Secretariat TABLED the following documents:
 - Memorandum from the Secretariat.

- Proposed Interpretation of the Standards of GRAP on *The Effect of Past Decisions on Materiality*.
- Draft Fact Sheet (for information purposes).

Consultation process

7.2 The Secretariat EXPLAINED the consultation process and the stakeholders reached. No specific comments were raised on the process.

General observations

7.3 The Secretariat NOTED that a key observation of the consultation process was the potential difference between auditor and preparer materiality. This, along with other specific issues, is dealt with in the Fact Sheet.

Specific issues

7.4 The Board confirmed the Technical Committee's recommendations related to the following issues raised by respondents:

- The changes to materiality thresholds in subsequent reporting periods, and explaining the effect of upward or downward revisions of materiality in Example 3.
- Explaining why comparative information may not exist for certain items when an alternative accounting treatment is applied in a prior year and a GRAP accounting policy in the current year.
- Explaining that errors could be corrected, as long as hindsight is not applied.
- Confirming that alternative accounting treatments should not be inconsistent with the principles in the Conceptual Framework.

7.5 Subject to editorial amendments provided by members, the proposed Interpretation was APPROVED.

7.6 The Secretariat INDICATED that the proposed effective date is 1 April 2023, which is the earliest date that could be proposed in terms of the policy on effective dates.

7.7 A member EXPRESSED a view that the adoption should be immediate to ensure that materiality is applied correctly. It is unclear what entities would do in the interim.

7.8 The Secretariat NOTED that entities could consider the Interpretation in formulating their accounting policy. The Interpretation will also be included in Directive 5 on *Determining the GRAP Reporting Framework*.

7.9 Other members NOTED that the application of materiality is immature in the sector. As a result, interventions are required by the provincial treasuries and National Treasury to promote the application of materiality. These members favoured the delayed mandatory effective date to allow for the undertaking of these activities.

7.10 On balance, members AGREED with the proposed effective date as 1 April 2023. The text of the Interpretation should be changed to "encourage" rather than "permit" earlier adoption. Communication on the outcomes of the projects should also encourage early application.

Secretariat

- 7.11 A member NOTED that, as much as there is a role for the preparers regarding materiality, the auditors should also be informed of the ASB's work.
- 7.12 It was AGREED that the Secretariat will contact the AGSA to understand how the auditors could be engaged more broadly on the issues. Awareness will also be raised at the Public Sector Audit Committee Forum.

Secretariat

Review of Directive 12 on The Selection of an Appropriate Reporting Framework by Public Entities

Results of the review of Directive 12

- 8.1 The Secretariat TABLED the following documents at the meeting:
- Memorandum from the Secretariat
 - [Revised] Preface to the Standards of GRAP
 - [Revised] Introduction to the Standards of GRAP
- 8.2 The Secretariat SHARED the results of the review of Directive 12 as outlined in the memorandum, as well as the deliberations and overall recommendations of the Technical Committee.

Status of compliance with the Directive

- 8.3 The status of compliance with the Directive was NOTED by the Board.
- 8.4 The representative of the AGSA RAISED a concern about the sufficiency of actions required to address the two issues on the risk of entities continuing to apply IFRS Standards without undertaking the self-assessment and the water boards applying different reporting frameworks.
- 8.5 It was NOTED that the AGSA would assist the Secretariat to follow up on the entities that did not comply with the self-assessment requirements in 2018.
- 8.6 The Board SUPPORTED the following recommendations:
- Guidance should be added to the supplementary guidance highlighting the various aspects identified in the review.
 - The results of the review should be shared with the National Treasury as these may contribute to the processes for the classification of entities in the PFMA Schedules.
 - No further actions are required to address the different reporting frameworks applied by the water boards.
 - Communicate directly with affected entities the results of the review, as well as raise awareness of the Research Paper once published.

Secretariat

Application of the Directive

- 8.7 The Board NOTED the issues identified in the review on the application of the Directive.

- 8.8 The Board SUPPORTED the recommendations that supplementary guidance should be developed to clarify the areas highlighted as problematic by stakeholders.

Secretariat

Other matters

- 8.9 The Board NOTED the other additional matters considered in the review as well as the feedback from discussions with stakeholders.
- 8.10 The Board AGREED that minor amendments should be made to the Directive to reflect the changes in legislation and/or pronouncements referenced in the Directive.

Secretariat

Next steps

- 8.11 The Board AGREED that a Research Paper should be developed to communicate the results of the review and proposed actions.

Secretariat

Review of the Prefaces

- 8.12 The Board CONSIDERED the suggested amendments to the revised Preface and APPROVED the revised Preface and boilerplate for issue.
- 8.13 The next steps of the project were NOTED as agreed at the March 2021 Board meeting.

Secretariat

Review of the Research Paper on The Preparation of the Cash Flow Statement

- 9.1 The Secretariat TABLED the following documents:
- Memorandum from the Secretariat.
 - Draft Research Paper on *The Preparation of the Cash Flow Statement*.
- 9.2 The Secretariat NOTED that the Board reviewed the detailed results at the last meeting, and the Research Paper is the summary of the key findings. Some actions still need to be addressed from the review, but these will be addressed in future projects of the Board.
- 9.3 The Secretariat NOTED that the Technical Committee debated the type of document, i.e. Research Paper, that is used to communicate reviews. The title “Research Paper” has caused confusion in the past as the contents of the document may denote that academic research was done. The Secretariat will review the policy on the types of documents the ASB issues to identify another type of publication.
- 9.4 The Research Paper was REVIEWED. Paragraph 26 should be updated to indicate that this section outlines practices identified in the review, and these practices are neither correct nor incorrect.

Secretariat

EMERGING ISSUES

- 10.1 A memorandum on emerging issues was TABLED.
- 10.2 The Secretariat PROVIDED an update on an entity that adopted IPSAS 42 on *Social Benefits* and the media release relating to the changes in the entity's financial position.
- 10.3 The Secretariat NOTED that the financial statements are not yet audited and were drafted for submission to the auditors. The Secretariat obtained the draft financial statements and reviewed them, but it was unclear how IPSAS 42 was applied, and when liabilities were recognised and their measurement.
- 10.4 The Secretariat EXPLAINED that because the information is unaudited, there is no specific action that can be taken at present. As a result, the Secretariat will wait for the auditors to interrogate the information and assist with any resulting queries if they arise.
- 10.5 Members AGREED with the proposal.
- 10.6 It was QUESTIONED whether there should be clear regulations to entities about when media releases could be held on financial statements, and specifically that there should be no communication about unpublished information.
- 10.7 The Secretariat NOTED that it may be helpful to educate the media on the financial statement process so that information that is "uncorroborated" is not included in the press. The Secretariat could potentially engage with the AGSA as they are involved in educating the media in various aspects of the General Report.

Secretariat

- 10.8 The Secretariat NOTED that the second meeting of the GRAP 104 reference group was held on the 23rd of June. The proposed work programme of the reference group was agreed.

GRAP IMPLEMENTATION

11. The Board Member Representative of the National Treasury NOTED the following:
- There were questions being raised about the disclosure of Standards approved by the Board but not yet approved by the Minister of Finance. The FAQ issued by the Secretariat on this matter was acknowledged.
 - The MFMA audit outcomes were released. A number of financial statements were not yet submitted for audit. The reasons relate to the calibre of the officials rather than any specific issues identified with the application of the accounting standards.
 - The dispute resolution mechanism has been finalised by the OAG and AGSA.

FINANCES AND OPERATIONS

12 AUDIT COMMITTEE

- 12.1 A report from the Chair of the Audit and Risk Committee on behalf of the Audit Committee for inclusion in the Annual Report was TABLED.

12.2 It was NOTED that the Report stated that no audits were planned for the year, and it was QUESTIONED whether this was a contravention of the Treasury Regulations requiring an annual audit plan.

12.3 It was AGREED to request clarification of this from the Audit Committee.

Audit Committee Chair

12.4 It was questioned why the Internal Audit Plan reflected time for the review of audit findings when there were none.

12.5 It was AGREED to request clarification of this from the Audit Committee.

Audit Committee Chair

12.6 The draft internal audit report on delegation of authority was NOTED.

13 ANNUAL REPORT

13.1 The following documents were TABLED for review and approval by the Board:

- Auditors' Opinion on the Annual Financial Statements
- Management Letter
- Draft Annual Report for the year ended 31 March 2021.

13.2 It was NOTED that the designations of Board Members should be written out in full.

13.3 Some editorial comments were NOTED.

13.4 The annual report was APPROVED for tabling in Parliament.

Secretariat

14 DELEGATIONS OF AUTHORITY

14.1 The draft Delegations of Authority was TABLED for approval and implementation.

14.2 The Board AGREED the following:

- The out-of-budget expenditure limit would be increased to R50 000 per line item.
- That the Board would continue to recruit the technical staff.
- That a distinction should be made between appointment and recruitment.

14.3 It was AGREED that the amended delegations should be circulated for comment, yet, be implemented with immediate effect and any comment to be considered at the next meeting.

Board members and Secretariat

14.4 It was AGREED that the document should have an approval page where the Chairman's signature would reflect the Board's approval.

Secretariat

14.5 It was AGREED that the Board chairperson would continue to be a member of the committees of the Board.

14.6 It was AGREED that Dumisani Dlamini would chair the Technical Committee and that Andrew van der Burgh would serve as Deputy-Chair.

14.7 The changes to the Terms of Reference of the Operations Committee and the Technical Committee were APPROVED.

15 BUDGET FOR 2021/22

15.1 A revised budget from the budget included in the Annual Performance Plan (APP) for 2021/22 was TABLED for approval to be implemented.

15.2 It was NOTED that the budget would need to be amended to reflect the cancellation of the lease and the savings in costs.

15.3 It was NOTED that the budget reflected expenditure such as the recruitment cost of staff, but does not reflect any provision for bonuses, which is why savings made in a year are used for bonuses.

15.4 As in previous years, discretionary expenditure such as staff development and translations are used to present a balanced budget. The amount equivalent to depreciation is used for capital expenditure. Based on past practice only IT equipment is replaced.

15.5 It was AGREED that the budget assumptions for the budget included in the APP would be circulated to members.

15.6 The budget was approved for implementation, subject to the amendments arising from the office move.

Secretariat

16 FEEDBACK FROM THE OPERATIONS COMMITTEE

16.1 A report and recommendations from the Operations Committee meeting held on 27 May 2021 was TABLED.

16.2 It was NOTED that all matters other than the development of the Remuneration Framework, were on the agenda. The Remuneration Framework will be TABLED at the next meeting.

17 OFFICE ARRANGEMENTS

17.1 A memorandum was TABLED on closing the physical offices of the ASB and proposed interim arrangements until a decision is made regarding future accommodation.

17.2 The following timeline was NOTED:

- November 2020 OPSCO meeting: The CEO was asked to discuss a rent reduction with the owner.
- December 2020: Board confirmed the proposal to seek a reduction in rent.
- January 2021: The CEO requests the owner to consider a reduction in rent.
- February 2021: The owner agrees to reduce rent to R31 000 per month from 1 March 2021 and to allow the ASB an option to exit from the lease should the property be sold.
- In the interim the CEO considered proposals to sub-let the office, including renting meeting rooms to third parties, but finally discontinued the search for a sub-let as the costs outweighed the potential benefits.
- On 23 May 2021: The owner advises of the Offer to Purchase the building.

- On 28 May 2021: The CEO communicated to OPSCO and OPSCO agreed to provide advice to the CEO during the interim until the Board meeting.
- In the interim the CEO obtained valuations for the office furniture and equipment and art.
- In the interim the CEO had conversations with the Chief Directorate: Asset and Liabilities in the National Treasury and had email correspondence with a range of staff within the National Treasury about the process and legal requirements for the disposal of a significant portion of the assets of an entity.
- On 19 June 2021: The CEO received a final offer from owner for the office equipment and furniture (R172 656) in lieu of the cancellation of the lease (R2 317 047) as at 31 March 2021.
- Finally the CEO drafted a submission to the National Treasury and the Minister and submitted this to the Board for consideration at the meeting.

17.3 It was AGREED, after discussion, that the offer to terminate the lease should be accepted, subject to approval from the National Treasury and the Minister of Finance.

17.4 It was also AGREED that the CEO could purchase the appropriate equipment needed by staff to work from home efficiently and effectively in accordance with the procurement regulations.

Secretariat

18 ADMINISTRATION

Work programme 2021/22

18.1 The work programme of the Board and progress against targets for the 2021/22 period was TABLED.

18.2 It was AGREED that the work programme should be updated to include the publication of the Research Paper on Directive 12, and the delay of one quarter for the project on going concern and liquidation basis.

Future work programme developments

Work programme 2021/22

18.3 The Secretariat TABLED the following:

- Memorandum from the Secretariat.
- Project brief – Going concern and the liquidation basis of accounting.
- Project brief – Review of GRAP 24 on *The Presentation of Budget Information in Financial Statements*.

18.4 The Secretariat EXPLAINED that based on initial consultations with stakeholders on going concern and the liquidation basis of accounting, the following changes were made to the project brief:

- Consideration of whether the explanations (and related disclosures) on going concern and financial sustainability are appropriate for inclusion in the Standards or elsewhere.

- Considering whether definitions are needed on going concern and the liquidation basis of accounting.
- A change in the timing of presenting a proposed pronouncement to the Technical Committee and Board. The proposal is to present the proposed pronouncement to the March 2022 meeting.
- Deleting the proposal to provide guidance on assets that will be transferred.

18.5 Members SUPPORTED the proposed amendments.

18.6 The Secretariat EXPLAINED that there were no changes proposed to the project brief dealing with the review of GRAP 24. The Secretariat INDICATED that the Technical Committee proposed that the approach remain only reviewing publicly available information as this was the basis on which the project was initiated.

18.7 Members SUPPORTED the project brief and proposal of the Technical Committee. Members OBSERVED that the timeline might need to be revised depending on the availability of financial statements. It was observed that there is a delay in the submission and auditing of financial statements due to external factors. If information is unavailable, a delay in the project timeline will be communicated to the Board.

Secretariat

Projects to commence in 2022/23

18.8 A memorandum from the Secretariat was TABLED. The Secretariat proposed to not commence with the project on leases given the delays at the IPSASB as well as the completion of the project by the IPSASB in two phases (phase 1 convergence and phase 2 public sector issues). Given the volume of work on existing projects, particularly involvement in commenting on international documents, it was proposed that there should be no replacement. The time that would have been spent on developing transitional provisions would be spent on the development of the pronouncement.

18.9 Members SUPPORTED the proposal.

Work programme consultation 2024-2026

18.10 A memorandum from the Secretariat was TABLED.

18.11 The Secretariat EXPLAINED that, while an Exposure Draft will be discussed at the next meeting, it would be helpful to receive high level direction from the Board on the strategic theme of the work programme for 2024-2026.

18.12 The Secretariat NOTED the current standard-setting objectives of the Board and the related activities, as well as the international activities of the IPSASB and IASB.

18.13 The Secretariat INDICATED that the Technical Committee recommended that the next work programme cycle reflect an “internal focus”. This means potentially spending more time on research topics, housekeeping matters, and carefully considering convergence projects. It was also observed that the Secretariat should identify specific international topics which it will focus on rather than being involved with all projects.

18.14 Members SUPPORTED the broad strategic theme. Members HIGHLIGHTED the following areas of potential focus:

- The revisions of the Conceptual Framework and the Measurement project were of importance, and need not include extensive stakeholder engagement.
- Consideration should be given to sustainability reporting and climate related disclosures. The importance could be explored in the work programme consultation with stakeholders. An engagement would also be necessary with the Minister of Finance on the mandate of the ASB.

Achievement of quarterly targets

- 18.15 The Secretariat TABLED a memorandum at the meeting outlining the performance for the quarter. It was NOTED that the targets for the quarter would be met following the decisions at this meeting.

Risk register and risk policies

- 18.16 The risk register and related policies were TABLED for review by the Board.
- 18.17 It was AGREED to review the remaining risk levels of risk 7 on the risk register.
- 18.18 It was AGREED that the risk policies should be reviewed every three years, unless the level of the risk changed making an earlier review of the policies necessary.
- 18.19 It was QUESTIONED whether the proposed change to the office accommodation would expose the ASB to new Occupational, Health and Safety risks.
- 18.20 It was NOTED that the existing legislation applied regardless of the work place, but that the insurance arrangements needed to be updated to reflect the locations of some of the assets being used.
- 18.21 It was AGREED that the future risk reports would reflect progress with the management of risks as identified on the risk register.

Secretariat

- 18.22 The risk register was APPROVED by the Board.

Ethics

- 18.23 A report on ETHICS and the related Code of Ethics was TABLED for consideration by the Board.
- 18.24 It was NOTED that the Code should be updated to reflect the decisions made by the Board regarding staff serving on audit committees and other Boards that may expose the Board to additional reputational risk.
- 18.25 It was AGREED to implement an annual declaration to confirm compliance with the Code and other related policies.

Secretariat

19 INTERNATIONAL STANDARD SETTING ACTIVITIES

- 19.1 The comment letter submitted to the IPSASB on Leases was NOTED.
- 19.2 It was NOTED that concurrent publication of exposure drafts published by IPSASB has been published and gazetted.

20 FUTURE MEETINGS

The remaining meeting dates for 2021/22 was NOTED.

The meeting was closed at 16:30 for an in-camera meeting of Board Members only.

Prepared by:	E Swart	25 June 2021
Reviewed by:	C Braxton	2 July 2021
Issued:	9 September 2021	