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MINUTES OF THE BOARD MEETING HELD VIRTUALLY ON 29 SEPTEMBER 2021 AT 9:00

PRESENT:

CHAIR

C Braxton

MEMBERS OF THE BOARD

W de Jager

K Maree

P Masegare

N Themba

A van der Burgh

OBSERVERS

A Muller (AGSA)

P Mzizi (Chair of Audit Committee)

EX OFFICIO

E Swart

Chief Executive Officer

A Botha

Standard Setter

J Poggiolini

Technical Director

S Peter

Accountant

T Tshoke

Standard Setter

E van der Westhuizen

Standard Setter

Board Members: Mr C Braxton (Chair), Mr D Dlamini, Ms W de Jager, Ms K Maree,
Dr P Masegare, Ms P Moalusi (Deputy-Chair), Ms A Muller, Ms N Themba, Mr A van der Burgh
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 Apologies were NOTED from Ms P Moalusi and Mr D Dlamini.
- 1.3 Ms A Muller was WELCOMED to the meeting. It was NOTED that Ms Muller's appointment still needs to be confirmed by the Minister of Finance.
- 1.4 The Chairperson congratulated Ms Poggiolini on her appointment to the board of IFAC.
- 1.5 The Chairperson congratulated Mr van der Burgh on his upcoming marriage nuptials.

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 without amendment.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 24 June 2021 were APPROVED, with the following amendments:

- Item 12.2 was changed to add the following:
 - 12.2 The following was also NOTED:
 - The report stated that the ASB had a Risk Committee, which it does not, and that the committee had met 5 times. If it is intended to be OPSCO, it had met only 4 times.
 - The ASB does not have a CFO.
 - Internal Audit Findings were reflected as zero, while there were two findings on Supply Chain Management.
- Item 12.5 was amended as follows:

It was questioned why the Internal Audit Plan reflected time for the review of audit findings when there were none. A number of errors regarding dates and other inconsistencies were also NOTED.
- Item 13.5 was added:

It was AGREED to submit a request to retain the surplus in accordance with the required timetable.
- Item 14.7 was changed to indicate the following:

The changes to the Terms of Reference of the Technical Committee were APPROVED, but the Terms of Reference of the Operations Committee will be discussed during the in-camera meeting.
- Item 15.6 was added as follows:

It was NOTED that the budget presents a cash surplus of R388 691 which should be zero. The amount should be allocated to staff development and translation of documents.

- It was NOTED that item 18.22 was amended to include the approval of risk policies.

5. MATTERS ARISING

- 5.1 A report on matters arising from previous meetings was TABLED.
- 5.2 It was NOTED that GRAP 25 on *Employee Benefits* still needs to be approved for implementation by the Minister of Finance.
- 5.3 It was NOTED that the Annual Report for 2020/21 was tabled in Parliament and that all the annual ethics declarations had been received.
- 5.4 It was NOTED that the Public Entity Oversight Unit (PEOU) indicated that a written response would be received to the correspondence submitted to the Minister of Finance referred to in item 5.4 of the Report.
- 5.5 It was NOTED that the approval from the AGSA to appoint Morar inc. as external auditors was still awaited.

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 31 August 2021.
- 6.2 The Secretariat NOTED that the Technical Committee suggested that parts of the existing technical policies should be included in the Due Process Handbook. The Secretariat NOTED that the Due Process Handbook will be presented at the December 2021 Board meeting. A comprehensive “procedure” manual will be presented at the March 2022 meeting which will include the procedural parts of the policies.

Secretariat

TECHNICAL MATTERS

7. AMENDMENTS TO GRAP 103 ON HERITAGE ASSETS

- 7.1 The Secretariat TABLED the following documents:
- Memorandum from the Secretariat.
 - Invitation to Comment (ITC).
 - Exposure Draft of proposed changes to GRAP 103 on *Heritage Assets*.
- 7.2 The Board NOTED the background to the amendments proposed to GRAP 103. It was NOTED that the Technical Committee considered the proposed amendments at its meeting on 31 August 2021 and recommended the proposed ITC and Exposure Draft to the Board for its consideration.

Definition of a heritage asset

- 7.3 The Board NOTED that the GRAP 103 definition of a heritage asset was revised to better align with the legislative description of a heritage resource in the National Heritage Resources Act, 1999, and the South Africa Heritage Resources Agency (SAHRA) classification. The following amendments were PROPOSED:
- a revised definition that focuses on cultural significance;
 - the inclusion of a definition of cultural significance; and

- the alignment of the characteristics displayed by heritage assets and the type of assets that could be regarded as heritage assets with the legislative requirements.

7.4 It was QUESTIONED if the proposed amendments are still aligned with the Conceptual Framework. It was NOTED that there is no international equivalent Standard on which GRAP 103 was based. The proposed amendment considered local legislation while still applying the concept of substance over form. It was also NOTED that the objective of the proposed amendment is to provide practical solutions to stakeholders, without being prescriptive. The Secretariat concluded that the proposed change remains aligned with the Conceptual Framework.

7.5 The Board AGREED with the proposed amendments.

Classification of a heritage asset with an alternative use

7.6 It was NOTED that the Board agreed that all heritage assets should be classified as a single line item on the face of the statement of financial position, when material. As a result, heritage assets will no longer be depreciated as this is not required in GRAP 103. The Board AGREED with the following amendments that reflect this decision:

- the deletion of the requirement that heritage assets with a significant alternative use should be accounted for using another applicable Standard of GRAP;
- the inclusion of an example to explain that assets that are used with a heritage asset should be accounted for using the appropriate Standard;
- the deletion of the requirement that a heritage asset should reflect a heritage value and another value if the heritage asset has a significant alternative use;
- the inclusion of a new disclosure requirement to present information about the heritage asset's significant alternative use if this is material; and
- transitional guidance to explain at what value a reclassified heritage asset should be recognised on adoption of the amendment.

Determining a reliable value

7.7 It was NOTED that the proposed amendments relate to the following three areas:

- to allow the use of peer data for entities that have no, or insufficient, sources of entity-specific data to determine a reliable value for the heritage asset;
- emphasising the principle that protective rights should not preclude an entity from determining a fair value for a heritage asset. This principle also applies to the legislative protective rights imposed on the disposal, transfer, etc. of archaeological and palaeontological collections; and
- the inclusion of guidance to explain that if the variability in the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed, a fair value should not be determined for a heritage asset.

7.8 The following disclosure requirements were PROPOSED:

- present information on heritage assets on which protective rights have been imposed; and

- explain the reason for disposing a heritage asset that is subject to a protective right.

7.9 The Board AGREED with the proposed amendments.

Re-assess if a reliable value becomes available

7.10 It was NOTED that the Board agreed to amend GRAP 103 to require an entity to re-assess if reliable information becomes available to recognise a heritage asset. The Board also agreed that an indicator approach should be followed to undertake this assessment. Entities will only be required to determine a value for a heritage asset when specific circumstances exist or have changed from initial recognition.

7.11 The Board AGREED to the following amendments to reflect these decisions:

- the inclusion of a principle that requires an entity to annually undertake a re-assessment if a value could not be determined on initial recognition;
- the inclusion of an example and a list of indicators to assist entities with the re-assessment;
- guidance that explains how a heritage asset should be recognised when a value becomes available; and
- a new disclosure requirement to provide information on the events or circumstances that resulted in a reliable value becoming available subsequently.

Aggregation of individually insignificant heritage assets

7.12 It was NOTED that the Board agreed to include guidance emphasising that information does not need to be presented and disclosed on an individual basis to address security risk. The following guidance was PROPOSED:

- clarifying that heritage assets do not need to be presented and disclosed on an individual basis and that entities may aggregate individually insignificant items; and
- clarifying that it may be appropriate to aggregate items when this reflects a relevant representation of the items' cultural significance.

7.13 The Board AGREED with the proposed amendments.

Impairment of assets

7.14 It was NOTED that, as an outcome of the GRAP 103 Post-implementation Review, the Board agreed to reconsider the list of indicators to assess if a heritage asset is impaired. The Board AGREED with the proposal to include an additional indicator of impairment and additional examples to illustrate the impairment indicators.

Encouraged disclosures

7.15 The deletion of the following encouraged disclosures was PROPOSED:

- information about the age and condition of heritage assets;
- the fair value of heritage assets that are not recognised on initial recognition; and
- the fair value of heritage assets where the cost model is applied.

7.16 In addition, it was PROPOSED that the disclosure on heritage assets that are held and borrowed from, or on loan to other entities, should be amended to be a mandatory requirement.

7.17 The Board AGREED with the proposed amendments.

Proposed ITC and Exposure Draft

7.18 The Board APPROVED the ITC and Exposure Draft for exposure. It was AGREED that the commend deadline should be extended to the end of January 2022.

Secretariat

7.19 It was NOTED that the Secretariat is in the process of developing new Frequently Asked Questions (FAQs) and amending existing FAQs on heritage assets as further actions agreed by the Board.

8. PRELIMINARY DISCUSSIONS ON GOING CONCERN

8.1 The Secretariat TABLED the following documents at the meeting:

- Memorandum from the Secretariat/Issues Paper.
- Approved project brief.

8.2 The project objective was NOTED. It was NOTED that information relevant to the project was obtained:

- from high-level discussions with relevant stakeholders;
- through the review of audited financial statements;
- through a questionnaire that was issued to entities that apply Standards of GRAP; and
- through virtual engagements with stakeholders to discuss the matters noted from the review and questionnaires.

Assessing going concern and material uncertainties

8.3 It was NOTED that when assessing going concern, most entities consider information beyond twelve months by considering medium to long-term information. The Board also NOTED the common factors considered by management when assessing going concern.

8.4 It was NOTED that stakeholders shared the need for going concern guidance in the following areas:

- the impact on going concern when an entity has been placed under administration;
- the auditor's expectations on going concern;
- information on COVID-19 uncertainties and how that may impact the assessment; and
- additional areas for management to consider when assessing going concern.

8.5 It was NOTED that some participants also proposed the development of:

- a flow chart with questions to be considered by management to conclude when an entity is able to continue as a going concern;

- a uniform format to ensure that there is consistency when management assesses going concern;
- a standardised approach to assess the impact of COVID-19 on the entity's going concern assessment; and
- additional guidance for inclusion in the GRAP Accounting Guideline.

8.6 It was RECOMMENDED that the Board should not develop a flow chart, a uniform format, or a standardised approach. This is because entities should consider their specific circumstances and the nature of their activities when assessing going concern. It was RECOMMENDED that:

- a Fact Sheet should be developed to outline the most common features, factors and other accounting considerations to consider when assessing going concern. The Fact Sheet should also emphasise the importance of considering information beyond twelve months when assessing going concern and that the assessment should be entity specific;
- GRAP 1 should be amended to explain when preparing financial statements on a going concern basis is inappropriate; and
- input on the need for additional guidance should be shared with the National Treasury.

8.7 The Board AGREED with these recommendations.

Secretariat

Going concern disclosures

8.8 It was NOTED that information on the entity's ability to continue as a going concern is included in the accounting policy note, with explanations in the disclosure notes on going concern or events after the reporting date. This information was mostly duplicated. It was also NOTED that most entities have generic accounting policies on going concern, and explanations of factors that are considered in assessing going concern.

8.9 It was NOTED that respondents indicated that financial health assessments will be useful to inform management decisions. These assessments should be required for entities rather than only considered by the AGSA. Respondents also indicated the need for additional disclosures in the notes to the financial statements on the:

- entity's liquidity and solvency ratios; and
- impact of COVID-19 on the entity's going concern assessment.

8.10 It was PROPOSED that the Fact Sheet should:

- include the impact of COVID-19 on the entity's going concern assessment as a factor to be considered by management;
- highlight that generic accounting policies or descriptions on going concern should not be used but should reflect the entity's specific circumstances; and
- highlight that information about going concern should be cross-referenced rather than being repeated.

8.11 It was also NOTED that the following recommendations should be shared with the National Treasury to develop:

- guidance that enables management to assess an entity's financial health through indicators;
 - specific financial ratios for other public sector entities, similar to those in Circular 71 that are applied by municipalities and municipal entities; and
 - guidance on the calculation of the liquidity and solvency ratios.
- 8.12 It was AGREED that, rather than referring to COVID-19, a more general reference should be made to a pandemic as a factor to be considered by management.
- 8.13 It was NOTED that some municipalities and municipal entities have challenges with applying Circular 71. It was therefore AGREED that the recommendation to the National Treasury should be amended for them to consider providing examples of financial ratios that entities can apply to assess the entity's financial health. No reference should be made to Circular 71 in the recommendation.
- 8.14 The Board AGREED with these other recommendations.

Secretariat

Disclosures on material uncertainties

- 8.15 It was NOTED that a limited number of entities disclose information in their financial statements on material uncertainties despite there being specific disclosure requirements in the Standards of GRAP. It was also NOTED that not many entities have concerns about their ability to continue as a going concern.
- 8.16 It was NOTED that stakeholders proposed that the financial statements should require the disclosure of management's:
- reasoning and judgements when they conclude that it remains appropriate to prepare financial statements on the going concern basis amid unfavourable external conditions; and
 - actions to address these material uncertainties and to mitigate risk.
- 8.17 The Board AGREED with these recommendations.

Liquidation basis of accounting

- 8.18 It was NOTED that limited guidance on the liquidation basis of accounting is currently available. The information obtained from the review of entities' financial statements was also NOTED. It was NOTED that entities do not apply specific measurement requirements to assets and liabilities in the financial statements on liquidation.
- 8.19 The following was RECOMMENDED:
- guidance on the liquidation basis of accounting should not be developed at present; and
 - information should be included in the Fact Sheet:
 - on liquidation, assets and liabilities should be measured based on the expected cash flows;
 - explain when these valuations should be undertaken; and

- explain that when financial statements are prepared on a liquidation basis, the entity no longer applies the Standards of GRAP but will be required to develop its own accounting policies.

8.20 It was NOTED that when public sector entities are liquidated their assets and liabilities are usually transferred to another entity to ensure the continuation of the service. It was AGREED that the Fact Sheet should also highlight that there could be no cash flow expectation when an entity is liquidated because functions are merely transferred. The Board AGREED with the other recommendations.

Secretariat

8.21 The representative from the AGSA NOTED support for the development of guidance in this area. It was also NOTED that the Secretariat should obtain input from the National Treasury and the AGSA before finalising the Fact Sheet.

8.22 It was QUESTIONED if there is a formal process that is followed to share the outcome of a project with the National Treasury. It was NOTED that the feedback depends on the nature of the project undertaken. It was NOTED that the Secretariat agreed to have quarterly meetings with the National Treasury to provide feedback on projects and share information on Board projects and actions.

Financial sustainability

8.23 It was NOTED that the Standards of GRAP do not require management to assess an entity's financial sustainability, or to disclose information in the financial statements. The AGSA gathers information to assess entities' financial health indicators, and reports on these indicators in the PFMA and MFMA General Reports.

8.24 It was NOTED that some stakeholders proposed that definitions for going concern and financial sustainability should be included in the Standards of GRAP along with explanatory guidance. Others indicated that defining these concepts will be difficult as there is no standard definition for these concepts in existing literature.

8.25 It was also NOTED that some stakeholders indicated that specific disclosures on financial sustainability, as it relates to going concern, should be presented in the financial statements, while others indicated that information on financial sustainability should rather be presented elsewhere in the annual report.

8.26 The Board AGREED with the recommendations that:

- information on financial sustainability should not be presented in the financial statements as assessing financial sustainability is beyond the scope of financial statements; and
- to share the need for guidance on information about an entity's sustainability and its overall financial health with the National Treasury.

Secretariat

8.27 Some members QUESTIONED if the project brief will be updated following the decision to not commence any further work on financial sustainability. It was NOTED that the project brief was approved by the Board in 2020 and again reviewed in May 2021. The objective of the project brief is to set out the initial focus areas and work to be done on a project. It was NOTED that the project brief is not

updated after work has commenced as it is a historical document and represents the Board's thinking at a specific point in time.

- 8.28 After some debate it was AGREED that, going forward, an annexure should be added to project briefs to record the Board's decisions on a specific project.

Secretariat

9 REPORTING FRAMEWORK FOR FINANCIAL YEARS COMMENCING ON OR AFTER 1 APRIL 2022

9.1 The Secretariat TABLED the following documents:

- Memorandum from the Secretariat.
- Reporting framework and amendments to Directive 5 on *Determining the GRAP Reporting Framework*.
- *Communication on status of IFRS Standards and IPSAS*.

9.2 The Secretariat NOTED that there are minimal changes to the Reporting Framework. Based on the approvals by the Minister of Finance, there would be a number of potential changes in future.

9.3 The Secretariat NOTED that it would publish a communication with the reporting framework to indicate why certain IPSAS or IFRS are not included in the Reporting Framework.

9.4 The GRAP Reporting Framework for 2022/23 was APPROVED.

10 REVIEW REPORT ON RESULTS OF THE REVIEW OF DIRECTIVE 12

10.1 The Secretariat TABLED the following documents:

- Memorandum from the Secretariat.
- Draft Review Report on the Review of Directive 12

10.2 The draft Review Report was REVIEWED.

10.3 It was CONFIRMED that the tables outlining the results of the review and the appendix that lists the affected entities should be included in the Report as the information is publicly available.

10.4 The Review Report was APPROVED for publication.

10.5 It was NOTED that the Fact Sheet for Directive 12 has been developed and will be published with the Review Report.

Secretariat

11. SOCIAL BENEFITS

11.1 The Secretariat TABLED the following documents:

- Memorandum from the Secretariat.
- Project brief on Social Benefits.

11.2 The Secretariat EXPLAINED the initial phase of the project and the assessment required by the Board on the approach to develop a Standard of GRAP on social benefits. The Secretariat NOTED the key points that the Board is required to consider as part of this assessment in the policy.

- 11.3 The Secretariat EXPLAINED the IPSAS expense landscape and key requirements of IPSAS 42.
- 11.4 The Secretariat NOTED the entities that potentially provide social benefits and their involvement in the project.
- 11.5 A member ASKED whether the Secretariat would consider engaging with the Department of Higher Education and Training to understand their views on whether free or subsidised higher education could be seen as a social benefit. The Secretariat AGREED that an engagement with the Department would be considered after the engagement with the National Treasury.

Secretariat

- 11.6 The Secretariat NOTED the following recommendations from the Technical Committee on an approach to develop a Standard of GRAP on social benefits:
- IPSAS 42 should be used as a starting point to develop a Standard of GRAP.
 - The definition of a social benefit should be broadened from IPSAS 42 to include in-kind benefits, but the scope of the Standard limited to cash benefits.
 - The insurance approach in IPSAS 42 should be eliminated.
 - The general approach in IPSAS 42 should be modified based on the principles in the Conceptual Framework and existing Standards of GRAP, specifically the recognition and measurement requirements of the liability.
 - Continue to monitor the environment for changes that may impact the project.
 - Consider other stakeholder feedback in the next phase of the project.
 - Develop presentation and disclosure requirements that are developed based on the recognition and measurement requirements.
- 11.7 A member ASKED for clarification on the recommendation to modify the general approach in IPSAS 42 on *Social Benefits* and whether it implies adopting the alternative view that was included in ED 63 on *Social Benefits*. The Secretariat NOTED that it does not imply an automatic adoption of the alternative view in ED 63. The Secretariat is aware of changes in the local social benefit environment since ED 63 was discussed with local stakeholders, and the Board's due process would need to be followed to develop an appropriate approach for the local environment.
- 11.8 The Board APPROVED the recommended approach.

Secretariat

- 11.9 The Secretariat NOTED proposed amendments to the project brief as a result of the initial work done on the project.
- 11.10 A member ASKED for clarity on the proposed amendments to the project brief, with reference to the discussion to not amend the project brief on going concern and the liquidation basis of accounting. The Secretariat RESPONDED that the practice is for the Board to reconsider the project brief at the start of a project, as is the case at this meeting for social benefits. The Board does not continually update the project brief to reflect Board decisions during the course of a project.

- 11.11 A member REQUESTED an amendment to the project brief on social benefits to reflect the Board's decision at this meeting to eliminate the insurance approach. It was AGREED that the project brief should be amended to reflect it as a preliminary decision of the Board.

Secretariat

- 11.12 The Board APPROVED the changes to the project brief.

Secretariat

12. EMERGING ISSUES

General

- 12.1 A memorandum on emerging issues was TABLED.

- 12.2 The Secretariat NOTED the following:

- The exemption period for SARS coincides with the exemption period granted to departments and revenue funds.
- A status update on communication to the schedule 3A public entity on the application of IPSAS 42 on *Social Benefits*.
- Feedback was provided on the September 2021 financial instruments reference group. A key discussion was the classification of VAT as a financial instrument or a statutory receivable. SARS will need to be consulted on how the legislation is applied in practice.

Submission to the Minister of Finance on accrual accounting

- 12.3 The Secretariat TABLED a proposed submission to the Minister of Finance on accrual accounting for departments.

- 12.4 Members EXPRESSED different views about whether it is within the Board's mandate to raise the adoption of Standards of GRAP by departments with the Minister. Some members were of the view that it is within the strategic objective of "Promoting the adoption of Standards of GRAP". Other members were of the view that the letter could be seen as overstepping the Board's mandate, as the adoption of the Standards of GRAP is the Minister's prerogative.

- 12.5 Other comments RAISED by members were as follows:

- The letter should not be used as a precursor to meet with the Minister. The adoption of the Standards of GRAP and the meeting with the Minister are independent.
- The timing of the submission may be inappropriate as the Minister is newly appointed.
- The tone of the letter could be softened in areas.
- The letter could be discussed with the Provincial Accountants-General to identify the key issues that need to be addressed to facilitate the adoption of accrual accounting.

- 12.6 It was AGREED that the Secretariat will arrange a meeting with the Chairperson, Ms. N Themba and Ms. K Maree to discuss the purpose of the letter and how it could be improved.

13. GRAP IMPLEMENTATION

- 13.1 An oral report on GRAP implementation was NOTED. It was NOTED that a debriefing of issues that arose during the recently completed audit cycle will be arranged.
- 13.2 It was NOTED that the number of issues identified during the audit cycle have reduced significantly.
- 13.3 It was NOTED that the remaining issues were addressed during the report on emerging issues.

FINANCES AND OPERATIONS

14. AUDIT COMMITTEE

- 14.1 A report from the Chair of the Audit Committee on behalf of the Audit Committee was TABLED.
- 14.2 It was NOTED that additional information provided to the Audit Committee addressed any remaining concerns they had with the 2020/21 Annual Report.
- 14.3 It was NOTED that the Audit Committee was not aware of the information which related to the late change in the Financials Statements, which was subsequently obtained and will be discussed at the next meeting. .
- 14.4 It was NOTED that the Audit Committee was interested in all variances, both cash and non-cash.
- 14.5 It was NOTED that the Audit Committee would review the changes to the Internal Audit Plan at the next meeting and that they have also requested changes to the Audit Charter to incorporate a Board representative attending the Audit Committee meetings.
- 14.6 It was NOTED that the minutes of the Audit Committee can be distributed to the Board, as the CEO do receive them.
- 14.7 It was AGREED that Ms W. de Jager and Dr P Masegare would attend the next Audit Committee meeting.

Secretariat

- 14.8 It was AGREED to review the budget to make provision for the cost of attendance by Board members. It was NOTED that the resources available may not support attendance by two members.

Secretariat

15. RISK REGISTER

- 15.1 The risk register and a memorandum from the Secretariat was TABLED for review by the Board.
- 15.2 The risk register was APPROVED by the Board.

16. DELEGATIONS OF AUTHORITY

- 16.1 The draft Delegations of Authority were TABLED for approval and implementation.
- 16.2 The Board AGREED the following:

- The Board cannot hear an appeal against a decision they made and would have to appoint an independent person to hear the appeal.
- The CEO can approve expenditure up to R50 000 outside the budget but limited to no more than 50% of any line item.
- The Board needs to approve any declarations of surpluses, requests to retain surpluses and requests to surrender any surpluses.
- That the Audit Committee should recommend the Financial Statements to the Board for financial approval.
- Some editorial amendments were identified.

16.3 Subject to these changes, the Board approved the amended Delegations of Authority for implementation. The changes will be done to the document which will be submitted to the Chairperson for final approval.

17. BUDGET FOR 2021/22 AND THE MTEF PERIOD

Budget for 2021/22

- 17.1 A revised budget for 2021/22 was TABLED for approval to be implemented.
- 17.2 It was NOTED that the budget was prepared to reflect the closure of the office and the move to virtual working arrangements.
- 17.3 It was NOTED that provision has been made for some face-to-face meetings, but in general most meetings would be virtual.
- 17.4 It was NOTED that even though provision has been made for regrading in the current year, it would have an ongoing impact going forward and accordingly the remuneration baseline would need to be reviewed.
- 17.5 It was NOTED that the provision for fees for Board and Board Committees may be inadequate unless the length of meetings is reduced.
- 17.6 Subject to the amendments arising from the above, the budget for the current year was APPROVED.

Secretariat

Budget for MTEF period for inclusion in APP

- 17.7 It was NOTED that the budget was prepared using the assumptions provided by the Budget Office.
- 17.8 It was NOTED that some of the issues identified for the current year's budget would also apply to the MTEF period.
- 17.9 It was AGREED that provision should be made in the MTEF budget for the Technical Director or CEO to attend the National Standard Setters Meeting in Portugal in 2022. The attendee would act as technical advisor to the South African IPSASB member at the preceding IPSAS meeting to reduce cost to one air fare rather than two.
- 17.10 Subject to the amendments agreed, the MTEF budgets were APPROVED for inclusion in the Annual Performance Plan (APP).

Secretariat

Request to retain surplus from 2020/21 financial year

- 17.11 A draft request to retain the surplus was TABLED for discussion at the meeting.
- 17.12 It was NOTED that the amounts requested should not exceed the amount of the surplus available and that the translation project should be used as the balancing figure. It was also NOTED that the budget made some provision for translations.
- 17.13 It was QUESTIONED if the Secretariat would appoint any service providers in the current year.
- 17.14 It was NOTED that the Secretariat was currently contracting translators to translate the Information Handbook. The change to the procurement limits to require tenders only when amounts exceed R 1 000 000 means that three written quotes could be obtained for specific translations and contracting will proceed.
- 17.15 Subject to some editorial amendments, the submission was APPROVED.

Secretariat

18. ANNUAL PERFORMANCE PLAN (APP) FOR 2022/23

- 18.1 A draft APP was TABLED for discussion at the meeting.
- 18.2 It was NOTED that the Department of Performance Monitoring and Evaluation (DPME) issued a Guide to be used in the preparation of the APP and introduced additional disclosure of information in the Technical Descriptors.
- 18.3 It was NOTED that the following should be considered:
- Adding a date to the Court judgement to provide additional context.
 - A paragraph should be added to explain the decision to close the office and how the savings were used.
 - Revisit the technical descriptors to ensure that the additional DPME requirements could be justified.
- 18.4 It was debated whether to refer to specific entities in the APP. It was AGREED to retain the references as the issue is a matter of public record.
- 18.5 Subject to some editorial amendments, the draft APP was APPROVED for submission to the PEOU.

Secretariat

19. FEEDBACK FROM THE OPERATIONS COMMITTEE

- 19.1 A report and recommendations from the Operations Committee meeting held on 2 September 2021 was TABLED.
- 19.2 It was NOTED that the CEO submitted the Quarterly Reports to the PEOU without oversight by the Accounting Authority. The Delegations of Authority made provision for this, but the Board has historically not seen the quarterly reports.
- 19.3 It was AGREED that, like the draft minutes of OPSCO, the Quarterly report would also be submitted to the Board for noting.
- 19.4 It was NOTED that the OPSCO questioned the value of the disclosure of quarterly changes in the leave provision for decision making purposes.
- 19.5 It was NOTED that the OPSCO proposed replacing the audit of past internal audit findings with an audit of Human Resources (HR).

- 19.6 It was QUESTIONED whether this should be delayed by one year to allow the proposed amendments to HR policies to be implemented. The Internal Audit Unit would then have at least two new appointments to be audited.
- 19.7 It was AGREED to continue with the HR audit.
- 19.8 It was AGREED that the OPSCO meetings for 2022 would be scheduled to ensure oversight, and for those meetings that are scheduled after 30 days after the quarter end, the CEO will circulate the Quarterly Report for comment by OPSCO, before submitting it to the PEOU.

Secretariat

20. OFFICE ARRANGEMENTS

Report on Feedback

- 20.1 A report on feedback on the closing the physical offices of the ASB was TABLED.
- 20.2 It was NOTED that the Office of the Accountant-General has agreed that the ASB can use their address as the domicile.

Onerous contract

- 20.3 It was NOTED that the contract for fibre to the Midrand office was domain specific and as a result could not be transferred to one of the home offices. As a result, a payment of R37 123 was made to settle the account.
- 20.4 It was NOTED that at the time the contract was entered into it could not have reasonably been foreseen that the contract would need to be cancelled as the office was still in use.
- 20.5 It was AGREED that the payment did not constitute fruitless and wasteful expenditure and the Board APPROVED the expenditure.

Capital expenditure

- 20.6 A memorandum on the capital expenditure incurred to enable staff to work from home was TABLED.
- 20.7 It was NOTED that the total capital expenditure should be R83 655 and is within budget approved.
- 20.8 The capital expenditure was APPROVED by the Board.

21. ADMINISTRATION

Work programme 2021/22

- 21.1 The work programme of the Board was TABLED. No changes were proposed to the work programme.
- 21.2 Members NOTED the work programme.

Future work programme developments

Work programme 2021 to 2023

- 21.3 The Secretariat TABLED the following:
- Memorandum from the Secretariat.
 - Project Brief on Review of GRAP 109 on *Accounting by Principals and Agents*.
 - Project Brief on Public Sector Combinations.

- Project Brief on Improvements Project.
- Project Brief on IFRIC 22 on *Foreign Currency Transactions and Advance Consideration*.

21.4 Members APPROVED the project briefs without amendment.

21.5 The Secretariat EXPLAINED the proposal to limit involvement in certain of the IPSASB's projects. It was NOTED that, in future, the Secretariat would not comment on all of the IPSASB's Exposure Drafts (or issue them as concurrent Exposure Drafts). When new IPSASB Exposure Drafts are issued, the Secretariat would identify whether it will comment on the document or not.

21.6 Members SUPPORTED the proposal.

Work programme consultation 2024-2026

21.7 The Secretariat TABLED a memorandum at the meeting along with the proposed Exposure Draft of the work programme consultation for 2024-2026.

21.8 Members APPROVED the Exposure Draft without amendment.

Secretariat

Achievement of quarterly targets

21.9 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.

Policies

21.10 The following policies were TABLED for review and approval:

- Terms of Reference for OPSCO
- Remuneration of Board Members
- GM005 Business Continuity
- GM009 Disaster Recovery Plan
- ICT Governance Charter
- IT1 Information Security
- IT2 Acquisition, development & Maintenance
- IT3 ICT Security Procedures
- IT4 Corporate e-mail and internet policy
- IT5 Network Usage Policy
- RM6 Master System Plan

21.11 It was AGREED to consider the policy on Board Member Performance during the closed meeting of the Board.

21.12 It was NOTED that the review of performance of Board members should be completed before the December meeting using the existing policy and that any amendments to the policy should apply from 1 January 2022.

21.13 Subject to some editorial amendments, the amended policies were APPROVED by the Board.

22. INTERNATIONAL STANDARD SETTING ACTIVITIES

22.1 It was NOTED that the IPSASB meeting was held in September 2021.

22.2 An update was PROVIDED on the IPSASB's discussions:

- *Conceptual Framework* - The project is a limited scope update to the Conceptual Framework. It will address a number of issues to align with the IASB's Conceptual Framework. In particular, amending the asset and liability definitions, amending guidance on materiality to reflect recent IASB amendments, including new guidance on prudence, executory contracts and the unit of account. The Exposure Draft of these amendments is expected to be approved at the December 2021 meeting.
- *Leases* – Responses to the Exposure Draft 75 on *Leases* were considered. As respondents supported the proposals in ED 75, the IPSASB agreed to finalise the new Standard based on those proposals. The new Standard is expected to be approved in December 2021; however, it will not be issued until the IPSASB has completed its next phase of the leases project that deals with public sector specific lease arrangements.
- *Natural Resources* – The IPSASB reviewed the draft Consultation Paper on natural resources. It discussed the possible recognition, measurement and presentation of subsoil resources, living resources and water. The IPSASB plans to finalise the development of the Consultation Paper in the first quarter of 2022.
- *Accounting and Reporting by Retirement Benefit Plans* – The IPSASB is developing an IPSAS adapted from IAS 26 on *Accounting and Reporting by Retirement Benefit Plans*. As IAS 26 is an old Standard, the guidance considers accounting developments relating to employee benefits as well as the experience of other standard setters in jurisdictions that have developed similar guidance. The Exposure Draft of the proposed IPSAS will be approved at the December 2021 meeting.
- *Revenue and Transfer Expenses* – Discussions of the issues raised by respondents in the Exposure Drafts on revenue and transfer expenses continued. The IPSASB is expected to issue final IPSASs on revenue and transfer expenses in June 2022 however this may change if the IPSASB decides to re-expose its proposals.

23. FUTURE MEETINGS

23.1 The remaining meeting date for 2021/22 was NOTED.

23.2 The meeting dates for the 2022 calendar year will be distributed to members after the meeting.

The meeting was closed at 15:15 for an in-camera meeting of Board Members only.

Prepared by:	E Swart	8 October 2021
Reviewed by:	C Braxton	11 October 2021
Issued:	14 October 2021	