



ACCOUNTING STANDARDS BOARD

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**MINUTES OF THE ASB'S BOARD MEETING HELD VIRTUALLY ON  
1 DECEMBER 2023**

**PRESENT:**

**CHAIRPERSON**

P Moalusi

**MEMBERS OF THE BOARD**

C Braxton

W de Jager (09:00 – 11:30)

D Dlamini

S Khan (joined at 10:50, left from 12:00 - 13:00)

N Ngaka

N Themba

A van der Burgh (Deputy-Chair)(joined 12:15 and left  
12:45)

**INVITEES**

P Mzizi (12:30 – 13:30)

**EX OFFICIO**

J Poggiolini Chief Executive Officer

E van der Westhuizen Head of Technical

A Botha Standard Setter

N Imam-Shah Standard Setter

S Nondlazi Standard Setter

S Peter Financial Manager

Board Members: Ms P Moalusi (Chair), Mr A van der Burgh (Deputy-Chair), Mr C Braxton,  
Ms W de Jager, Mr D Dlamini, Mr S Khan, Ms A Muller, Ms N Themba  
Chief Executive Officer: Ms J Poggiolini

## **1. WELCOME AND APOLOGIES**

Members were WELCOMED to the meeting. Apologies were NOTED from A Muller. Several members NOTED that they will not be able to attend the full duration of the meeting. At all times, the meeting was quorate.

## **2. CONFIRMATION OF AGENDA**

The agenda was CONFIRMED without amendment.

## **3. CONFLICTS OF INTEREST**

Members were ASKED to confirm any conflicts of interest. C Braxton NOTED his standing declaration that he is a member of the IPSASB's staff.

## **4. MINUTES OF THE PREVIOUS MEETINGS**

4.1 The Secretariat TABLED the minutes of the meeting held on 28 September 2023.

4.2 The following changes were AGREED:

- Paragraph 7.5 – the spelling of “Committeed” should be corrected.
- Paragraph 6 – “NOTED” should be changed to “PROVIDED”.
- Paragraph 11.2 – explain the acronym “INEP”.
- Paragraph 15.2 – change the spelling of “principalsl”

4.3 Subject to these changes, the minutes of the previous meeting were APPROVED by the Board.

**Secretariat**

4.4 The Secretariat NOTED that the in-committee minutes of the meetings held on September and October were sent to members for comment. Subject to any editorial corrections being received, the minutes were APPROVED.

**Secretariat**

## **5. MATTERS ARISING**

5.1 The Secretariat TABLED a memorandum on matters arising from previous meetings.

5.2 The Secretariat PROVIDED an update on developments since preparing the memorandum:

- The Secretariat is in the process of arranging a date to have a strategic discussion with the OAG.
- The PEOU indicated that they are satisfied with the revised Remuneration Framework and will be submitting it for approval.
- The submission on the appointment of Board members is receiving attention by the PEOU.
- The CEO met with the Accountant-General on how to raise the ASB's profile. It was suggested that the ASB pursues a meeting with the Minister.
- The CEO had an initial discussion with the PEOU and Chief Audit Executive at the National Treasury about the rationalisation of the Audit Committee and Operations Committee. Another meeting is scheduled for 8 December 2023 to discuss a detailed analysis of the terms of reference of both Committees.

- The status of the MSCOA template was discussed at the trilateral meeting. It will remain a guideline for this year.
- 5.3 The Board EXPRESSED concern about the status of the Remuneration Framework and the appointment of new Board members. The Board OBSERVED that, should the Board members not be appointed by 29 February 2024, the ASB will be unable to continue its standard-setting and operational activities.
- 5.4 The Board AGREED that the following actions should be taken:
- If no response is received by mid-January 2024, a request should be sent to the Minister to extend the terms of the current Board members for a month.
  - The matters should be raised with the Deputy-Minister.
  - At the last Audit Committee meeting, a member offered to raise awareness with the Director-General about these two matters. The member should be asked about this offer and how it could be fulfilled.
  - A meeting with the Minister should be pursued.

**Secretariat**

## **TECHNICAL ACTIVITIES**

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

The Chairperson of the Technical Committee PROVIDED feedback from the Technical Committee and NOTED the minutes of the meeting held on 9 November 2023.

### **7. PROPOSED REVISIONS OF THE STANDARDS OF GRAP ON *TRANSFER OF FUNCTIONS AND MERGERS (GRAP 105 TO GRAP 107)***

7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Revised GRAP 105, GRAP 106 and GRAP 107.

7.2 The background to the approval and issue of the Exposure Draft (ED) of proposed revisions to the Standards of GRAP on *Transfer of Functions Between Entities Under Common Control* (GRAP 105), *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106) and *Mergers (GRAP 107)* (ED 204) were NOTED.

7.3 It was NOTED that the Secretariat discussed the comment received, and proposed responses thereto at two project group meetings held during September. Project group members recommended the revisions to GRAP 105, GRAP 106 and GRAP 107 to the Technical Committee for its consideration. It was NOTED that the Technical Committee considered the revisions to the local Standards at its meeting held on 9 November 2023 and recommended them to the Board.

#### *Overview of the consultation process and stakeholders consulted*

7.4 It was NOTED that a Notice was published in the Government Gazette outlining a request for comment on ED 204. Awareness about ED 204 was raised through the publication of articles on various ASB social media platforms and informing stakeholders at Forums and events. The Secretariat CONCLUDED that sufficient awareness was raised on ED 204.

7.5 It was NOTED that five sessions were held to discuss the proposed revisions with preparers, auditors, consultants and other interested parties. No written comment on ED 204 was received. The Secretariat CONCLUDED that all the stakeholders identified in the project brief were given sufficient opportunity to participate in the Board's due process.

*Assets acquired or received and liabilities assumed in a transfer of functions or merger at carrying amounts*

7.6 It was NOTED that some respondents questioned how "carrying amount" should be recognised in the financial statements for assets acquired in a transfer of functions or merger. It was NOTED that a similar question was raised on the assumption of liabilities.

7.7 It was NOTED that different practices are applied to reflect the carrying amount in the financial statements of the acquirer or combined entity. Some preparers reflect the asset at cost less accumulated depreciation and impairment losses as a single amount while others reflect the elements separately in their financial statements.

7.8 It was NOTED that project group members proposed that a Frequently Asked Question (FAQ) be developed to provide guidance. Instead, the Technical Committee proposed that the principle be clarified in GRAP 105 and GRAP 107 to ensure consistent application. The proposed amendment will also support the legislative requirements applicable to the transfer of assets and liabilities.

7.9 It was also NOTED that the Technical Committee agreed that recognising the components separately by an acquirer or combined entity better reflects the previous accounting by the transferor or combining entities. Liabilities should be recognised in a similar manner. The acquirer or combined entity will then also have sufficient information to:

- subsequently account for the assets based on its intended use and expectations after the transfer or merger;
- better operate or utilise assets; and
- understand methodologies and assumptions applied by the transferor/combining entities.

7.10 The Board SUPPORTED the Technical Committee's recommendations.

**Secretariat**

7.11 It was NOTED that the Technical Committee supported the development of two FAQs to provide guidance on the principles included in the local Standards, namely:

- When will an asset and/or liability qualify for recognition by an acquirer or combined entity as part of the transfer of functions or merger?
- What is the difference between a measurement period and transitional provisions?

*Revisions to the local Standards*

7.12 It was NOTED that stakeholders were supportive of the proposed revisions to the local Standards.

7.13 Subject to an editorial amendment, the Board APPROVED the revisions to the Standards.

**Secretariat**

*Need for re-exposure*

7.14 It was NOTED that no significant matters were raised during the comment process. Other than the explanation of an existing principle in GRAP 105 and GRAP 107, editorial changes were made to the Standards as per the Due Process Handbook.

7.15 It was NOTED that the Technical Committee agreed that there is no need to re-expose ED 204 as:

- no substantial changes were made to the principles proposed in ED 204 such that respondents did not have an opportunity to make their views known before the Board reaches a final decision; and
- no matters not previously deliberated by the Board need to be considered or debated.

7.16 The Board AGREED that re-exposure of ED 204 is not required.

**Secretariat**

*Proposed effective date*

7.17 It was NOTED that a recommendation will be made to the Minister of Finance (the Minister) to determine the effective date of the revised local Standards. Based on the principles set out in the Board's Due Process Handbook, the earliest proposed effective date is 1 April 2025. As it is unlikely that the Minister will approve this effective date by 31 March 2024, the Technical Committee proposed an effective date of 1 April 2026.

7.18 The Board AGREED with the proposed effective date.

**Secretariat**

**8. POST-IMPLEMENTATION REVIEW (PIR) OF THE STANDARD OF GRAP ON STATUTORY RECEIVABLES (GRAP 108)**

8.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed *Invitation to Participate in the Post-implementation Review of the Standard of GRAP on Statutory Receivables (GRAP 108)*.

8.2 It was NOTED that the Board considered feedback from the initial phase of the PIR at its July 2023 meeting. The feedback included issues that exist in the environment on the application of GRAP 108. These were identified through a desktop review and engagements with stakeholders. The information gathered in phase one will be used to seek feedback from stakeholders in phase two. For this purpose an Exposure Draft on *Invitation to Participate in the Post-implementation Review of GRAP 108 on Statutory Receivables* (proposed ED) will be issued.

8.3 It was NOTED that the proposed ED was discussed at two project group meetings held in October 2023. Project group members recommended the proposed ED to the Technical Committee for its consideration. The Technical Committee considered the

proposed ED at its meeting held on 9 November and recommended it to the Board for its approval.

*Disclosure on determining fair value and exposure to credit risk*

- 8.4 It was NOTED that the Technical Committee recommended that a question be included to request views on whether the credit risk and fair value disclosures in GRAP 104 on *Financial Instruments* (2019) should be required for statutory receivables.
- 8.5 It was NOTED that, as statutory receivables are initially measured at the transaction amount specified in legislation or similar means, which is considered “fair value”, the Secretariat concluded that disclosures on the method, valuation technique and assumptions applied in determining “fair value” for initial recognition are unnecessary. A question is therefore not included in the proposed ED.
- 8.6 It was NOTED that a question is included to request views on whether users may need information on a statutory receivable’s exposure to credit risk.
- 8.7 The Board AGREED with the inclusion of the explanation and question on credit risk disclosure, and the exclusion of a question on fair value disclosures.

**Secretariat**

- 8.8 It was DEBATED if a question on liquidity risk disclosures relating to expected timing of cash inflows from statutory receivables could be useful to users. It was AGREED that even though the liquidity risk requirements in GRAP 104 (2019) address the risk of meeting obligations associated with financial liabilities, it will be useful to request views on whether a maturity analysis to understand the timing of cash inflows associated with statutory receivables, will be useful.

**Secretariat**

*Proposed ED*

- 8.9 It was NOTED that the links to the GRAP 104 Fact Sheet #11 and the OAG’s GRAP 108 Accounting Guideline seem to be incorrect. It was AGREED that these links should be corrected.

**Secretariat**

- 8.10 It was QUESTIONED if stakeholders will be able to respond to questions U1 and/or P8 on whether GRAP 108 should adopt the expected credit loss (ECL) model as they likely lack of experience in applying the model
- 8.11 It was NOTED that stakeholders raised concerns at the GRAP 104 Reference Group about applying two different impairment models to contractual and statutory receivables.
- 8.12 After some debate, the Board AGREED that the question should be rephrased to request views on whether stakeholders identify concerns with applying an ECL impairment model to statutory receivables. More background on the difference between the two impairment models should be shared with stakeholders during engagements.

**Secretariat**

- 8.13 It was QUESTIONED if councillors will be able to respond to question U3 on whether the statutory receivable disclosures are relevant to hold entities accountable and to

make decisions. It was NOTED that the question is not only aimed at councillors, but also members of Parliament, Audit committees and the National. It was AGREED that the question should be retained.

**Secretariat**

- 8.14 Subject to the amendments above, the Board APPROVED the proposed ED for exposure.

**Secretariat**

*Next steps*

- 8.15 It was NOTED that the comment deadline for the ED is anticipated to be the end of October 2024.
- 8.16 It was NOTED that the Secretariat will solicit written feedback from stakeholders through surveys and questionnaires.

**9. USE OF THE CONCEPTUAL FRAMEWORK**

- 9.1 The Secretariat TABLED a memorandum explaining selected issues on the use of the new Conceptual Framework in the ASB's standard-setting process.

*Use in developing ASB pronouncements*

- 9.2 The Secretariat NOTED that the Conceptual Framework is a tool primarily for the standard-setter and should be used to guide the development of ASB's pronouncements. New pronouncements issued by the ASB should be based on the new Conceptual Framework, and explain how the Conceptual Framework was applied described in the basis for conclusions.
- 9.3 The Secretariat NOTED that the ASB used the new Conceptual Framework since it was issued.
- 9.4 The Board SUPPORTED the proposal.

*Updates of existing Standards based on the old Conceptual Framework*

- 9.5 The Secretariat EXPLAINED that many existing Standards of GRAP are based on equivalent IPSAS. Those IPSAS are based on the old Conceptual Framework. The Secretariat PROPOSED that changes will only be made to existing Standards when the IPSASB changes the underlying IPSAS.
- 9.6 The Board SUPPORTED the proposal.

*Referencing the Conceptual Framework in pronouncements*

- 9.7 The Secretariat EXPLAINED that, how the Conceptual Framework is referenced in existing Standards, will need to be considered on a case by case basis. There may be a valid reason for the text of the Conceptual Framework to be included in some Standards, while it may be inappropriate for others. However, it is likely that it would be appropriate, in most instances, to only reference the Conceptual Framework in the basis for conclusions.
- 9.8 The Members SUPPORTED this proposal.

## **10. EMERGING ISSUES**

- 10.1 The Secretariat TABLED an update on the emerging issues related to the implementation and application of the Standards of GRAP.
- 10.2 A member ASKED whether funding was the primary reason for the research group making slow progress since being established. The Secretariat NOTED that the group now has clear objectives and direction. The needs for the research topics differ. Some research topics require funding and the Secretariat will explore options with the National Treasury. Other research topics do not require funding but are dependent on other resources. The public sector handbook will depend on volunteers contributing content, and the research on asset-related issues will depend on the capacity of a research fellow from UNISA. Plans are in place to progress all the research topics.
- 10.3 A member NOTED that the Secretariat could consider discussing the research group's needs with universities as most include research by students as part of the curriculum. It was NOTED that SAICA is looking into this already.

## **11. GRAP IMPLEMENTATION**

- 11.1 The Accountant-General PROVIDED an overview of activities to support the implementation of Standards of GRAP.
- 11.2 It was NOTED that the following implementation guidance was either issued, or being developed:
- Annual Improvements to the Standards of GRAP.
  - Revision of the Standard of GRAP on Employee Benefits.
  - Accounting for receivables.
  - Municipal Debt Relief.
  - INEP grants.
  - Accounting implications of the revision of Municipal Fiscal Powers Act.
- 11.3 The Accountant-General NOTED that the Modified Cash Standard (MCS) is being reviewed to bring closer alignment to the Standards of GRAP.

## **12. UPDATE FROM THE IPSASB AND REVIEW OF THE IPSASB'S STRATEGY**

- 12.1 The Secretariat NOTED the upcoming IPSASB meeting from 5 to 8 December 2023.
- 12.2 The Secretariat DISCUSSED the IPSASB's consultation on its Strategy and Work Plan for 2024 to 2028. Members PROVIDED comment which will be included in the Secretariat's comment letter to the IPSASB.
- 12.3 The Secretariat NOTED that an in-person roundtable discussion will be held on the consultation in January 2024 and that members are invited to attend.

## **OPERATIONAL ACTIVITIES**

### **13. FEEDBACK FROM THE AUDIT COMMITTEE**

The Chairperson of the Audit Committee TABLED a written report on the key deliberations at the Audit Committee held in October 2023.

### **14. FEEDBACK FROM THE OPERATIONS COMMITTEE**



14.1 The Secretariat TABLED a memorandum providing an update of the activities of the Operations Committee along with the draft minutes held in October 2023.

14.2 The following issues were HIGHLIGHTED from the report:

- The CEO indicated to the PEOU that the basis for remunerating Board members should be included in the appointment letters for the new Board members.
- The Secretariat undertook an initial assessment of potential compliance issues with the new Employment Equity legislation. At present, the ASB is exempted from complying with the legislation. A new request will need to be made once the new legislation is effective.
- Work was done to determine whether there are any restrictions for the CEO becoming a member of the Board. Based on a review of the legislation governing the ASB and public entities, there are no restrictions. Members AGREED that any decision to include the CEO in the Board should be left to the new Board.
- The need to evaluate the Board and sub-committees was assessed and it was agreed that there was no need for the assessment. The primary purpose of the assessment of members in their 3<sup>rd</sup> year was to determine their suitability for re-appointment. The submission was made to the Minister in September 2023 outlining members' re-appointments, rendering the assessment superfluous.
- The progress on the rationalisation of the ASB's governance structures was being monitored.
- In terms of the cost-containment guidelines, the Operations Committee considered whether certain projects and activities should continue. The Committee agreed that the Language and Monitoring and Evaluation (M+E) Project should continue, and that travel to the IPSASB is critical.

## **15. FINANCES**

### *Quarterly Report for 30 September 2023*

15.1 The Quarterly Report was TABLED. No comments were NOTED on the report.

### *Budget execution for 2023/2024 and related forecast*

15.2 The Secretariat TABLED a memorandum explaining the budget execution to date and the forecast for the remainder of the year. The summarised financial information represented activities until 31 October 2023.

15.3 The Secretariat EXPLAINED how the surplus for the year arose, and how it will be utilised. The Secretariat NOTED that the surplus for this year and the retention of the surplus of last year, will be used for the Language and M+E projects.

15.4 The Board INDICATED that contracts should be in place before the end of the year for these projects to ensure that the ASB can demonstrate that it has commitments for these activities at year end. If contracts are in place, a request can be made to retain these funds.

- 15.5 The Secretariat NOTED that there is an amount of R200 000 that is underspent on employee costs for the year. The Secretariat PROPOSED re-allocating this to the Language Project to provide additional funding should the bids be above R1million.
- 15.6 The Secretariat EXPLAINED its response to the cost containment guideline from the National Treasury. International travel to the IPSASB is critical to the ASB's activities. Travel for the upcoming IPSASB meetings for December 2023 and March 2024 were paid in advance to maximise savings.

#### *Procurement*

- 15.7 The Secretariat TABLED an update on procurement-related matters.
- 15.8 Members ASKED about the auto-renewal of the subscription for software used for social media. The Secretariat EXPLAINED that, when the software licence was purchased last year, the ASB's profile erroneously indicated that the software should renew automatically using the credit card on file. This means that three quotations were not obtained for this service in 2023. The CEO approved a deviation, and the third party was contacted to ensure there is no auto-renewal.
- 15.9 Members INDICATED that they were satisfied with the explanations and that appropriate action was undertaken to avoid the situation recurring.

### **16. NON-FINANCIAL PERFORMANCE**

- 16.1 The Secretariat TABLED a report on the non-financial performance for the quarter and year-to-date.

#### *Continuation of the ASB*

- 16.2 The Secretariat NOTED concerns with the continuation of technical projects when Board members' term end in February 2024. The Technical Committee RECOMMENDED to the Board that the comment on ED 205 *Social Benefits* and final Standard on *Social Benefits* be brought to the Board for approval in July 2024, instead of March 2024. The Board APPROVED the extended comment period and the delay in approving the final Standard.

**Secretariat**

#### *Work programme*

- 16.3 The Secretariat PROVIDED feedback on the progress of the technical projects, and the Secretariat's involvement in the IPSASB's projects.

#### *Performance for the quarter and year*

17. The Secretariat NOTED that it is expected that the quarterly performance targets will be achieved, with the exception of the review of the results of the post-implementation review of GRAP 109 (ED 200). The Board previously approved extending the review of the results by one quarter from December 2023 to March 2024. It was NOTED that with the approval of the extension of the consultation period on ED 205, the annual target for indicator "*Number of pronouncements issued as identified in the work programme for the year*" will not be met. All the other annual targets are on track to be achieved.

### **18. RISK MANAGEMENT**

- 18.1 The Secretariat TABLED a Risk Report and an updated Risk Register.

18.2 The following changes were AGREED to the risk register:

- Risks 14A and 14B need to be updated to “Priority 2”.
- The actions related to ICT risks and ‘staff instructed not to delete documents’ should be deleted as other actions were implemented to mitigate the loss of data.

18.3 Subject to the changes being affected, the updated Risk Register was APPROVED.

**Secretariat**

17.4 A member OBSERVED that there is a high reliance on Microsoft’s security measures. There have been instances (in other organisations) where these security measures were breached. The member AGREED to investigate other potential measures that could be implemented and provide feedback at the Operations Committee.

**N Themba**

## **19. POLICIES**

19.1 The Secretariat TABLED a memorandum and draft Virtual Working policy.

19.2 Members AGREED the following changes:

- The virtual working arrangement inherently implies a trust relationship with employees to execute expected activities. This should be captured in the policy.
- Paragraph 2.5 – the text in brackets explaining the calculation should be deleted.

19.3 Subject to these changes, the policy was APPROVED.

**Secretariat**

## **20. STATUS OF THE LEGAL CASE**

The Secretariat PROVIDED an update on the court case. It was INDICATED that members will be kept abreast of any developments.

## **21. FUTURE MEETINGS**

The Secretariat EXPLAINED that the next meeting is scheduled for 28 March 2024. It was AGREED that the Board should meet in February 2024 to deal with any urgent matters.

## **22. CLOSING REMARKS**

Members were THANKED for their participation.. The meeting was adjourned at 13:50.

**Prepared by: J Poggiolini**

**Reviewed by: P Moalusi**

**XX December 2023**

**Approved:** \_\_\_\_\_

Date:

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