



ACCOUNTING STANDARDS BOARD

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**MINUTES OF THE ASB'S BOARD MEETING HELD VIRTUALLY ON 24 JULY 2024 at
09:00**

PRESENT

CHAIRPERSON

A van der Burgh

MEMBERS OF THE BOARD

A Carstens (did not attend remuneration part of in-committee)

W de Jager

D Dlamini

S Gcwabe

A Hardien (joined 09:15)

S Khan (10:25 to 12:25)

A Muller (until 12:30)

L Senne

INVITEES

F Sinthumule (until 12:30)

K Maree (until 12:00)

OBSERVERS

F Salie

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 Accountant

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Ms L Senne, Prof R Small
Chief Executive Officer: Mrs J Poggiolini

1. WELCOME AND APOLOGIES

- 1.1 Members were WELCOMED to the meeting. Apologies were NOTED from R Small. Other members INDICATED that they may need to leave at 12:00 or 12:30.
- 1.2 Mr F Sinthumule INDICATED that he was attending on behalf of Ms P Mzizi.

2. CONFIRMATION OF AGENDA

The agenda was CONFIRMED without amendment.

3. CONFLICTS OF INTEREST

- 3.1 Members were ASKED to confirm any conflicts of interest.
- 3.2 The standing declaration from A Carstens was NOTED; no changes were identified.
- 3.3 No other declarations were NOTED.

4. MINUTES OF THE PREVIOUS MEETINGS

- 4.1 The Secretariat TABLED the minutes of the meeting held on 12 April 2024.
- 4.2 Subject to the following amendments, the minutes were APPROVED:
 - Correct the spelling of S Gcwabe's surname on page 1.
 - Paragraph 3.2 – "PAFA" should be replaced by "IRBA".
 - Paragraph 6.3 – Include a reference to both "Technical and Operations" Committees.
 - Paragraph 6.6 – Correct "sib" to "sub".
 - Paragraph 11.5 – Include the name of the plan that was approved.

Secretariat

5. APPOINTMENT OF CHAIRS OF THE SUB-COMMITTEES

- 5.1 The Secretariat TABLED a memorandum outlining the proposed Chairs of the sub-committees.
- 5.2 The Secretariat NOTED that the Technical and Operations Committees elected their respective Chairs. The Terms of Reference require the Board to approve the appointments.
- 5.3 The Board APPROVED:
 - W de Jager as the Chairperson of the Operations Committee.
 - S Gcwabe as the Chairperson of the Technical Committee.

6. MATTERS ARISING FROM PREVIOUS MEETINGS

- 6.1 The Secretariat TABLED matters arising from past meetings.
- 6.2 The Secretariat EXPLAINED that the Assistant to Deputy Minister Masondo (who was previously responsible for the ASB) was contacted to set up a meeting. It was EXPLAINED that the responsibilities are still being defined and communication would be available shortly.

- 6.3 The Secretariat INDICATED that a meeting with the relevant person would be pursued once it is clear to whom the ASB is allocated.

Secretariat

7. FEEDBACK FROM THE TECHNICAL COMMITTEE

The Head of Technical PROVIDED feedback from the Technical Committee and NOTED the draft minutes of the meeting held on 4 July 2024.

8. REVIEW OF GRAP 20 ON RELATED PARTY DISCLOSURES

- 8.1 The Secretariat TABLED a Memorandum from the Secretariat.
- 8.2 The Secretariat PRESENTED the issues and root causes identified during the desktop review and EXPLAINED the proposed ways forward to the Board.
- 8.3 The Board NOTED the issues, root causes and Technical Committee recommendations and SUGGESTED the following:
- The proposed FAQs should, where possible, be clear enough to address stakeholders' concerns and provide the necessary guidance to preparers.
 - The proposed FAQs should clarify principles in the Standards of GRAP and not introduce new principles. This will also ensure that contradictions between the Standard and FAQs are avoided.

Secretariat

- 8.4 A member ENQUIRED about how the remuneration of the chairperson of the risk committee should be disclosed and whether the chairperson should be regarded as a related party to entities where the audit and risk committees are separate and the chairperson of the risk committee is an independent non-executive member. Members CONCLUDED that the FAQ will address the issues in principle.
- 8.5 A member STATED that, where there is a contradiction between the PFMA and other legislation or similar means regarding prohibitions on confidentiality disclosures, the PFMA requirements should take precedence. The Member SUGGESTED that the Secretariat considers this specific PFMA requirement when developing a FAQ to address issue 4, *balances and commitments not disclosed*.

Secretariat

- 8.6 Members DELIBERATED on the impact of confidentiality agreement on the disclosure of related party balances and commitments (issue 4). Members CONCLUDED that, while entities may be prohibited from disclosing specific details about the offence, the financial implications should still be included in the financial statements as entities should be held accountable for how public sector funds are spent. The proposed FAQ addressing issue 4 should reflect this clearly.

9. SOCIAL BENEFITS

- 9.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat
 - ED 205 *Proposed Standard of GRAP on Social Benefits* (for information purposes)
- 9.2 The Secretariat NOTED that the objective of the discussion was for the Board to consider the Technical Committee's recommendations to address comments on the

definition of social risks. The Secretariat EXPLAINED the proposal and reasons to retain the definition unamended.

- 9.3 A member EXPRESSED concern with the proposal. The member EXPLAINED that the assessment is complex and that it is difficult for stakeholders to apply the definitions. She also NOTED that the Board should not miss the opportunity to prevent issues that can be solved through guidance at this stage of the project.
- 9.4 Other members NOTED that the proposed emphasis on cash benefits will resolve many of the issues. The Secretariat also NOTED that the entities who provide social benefits are mostly comfortable with the definitions and understand the concepts.
- 9.5 Members OBSERVED that social benefits are one component of non-exchange expenses. The outstanding parts are collective and individual services and transfer expenses. It was NOTED that the Secretariat explored different solutions with the project groups and Technical Committee and these resulted in similar complexities to the proposals in the ED. As a result, it may be preferable to retain alignment with IPSAS 42 on *Social Benefits* and the Government Finance Statistics Manual, as proposed in the ED.
- 9.6 On balance, members AGREED that there should not be a change to the principles proposed in the ED. Members AGREED that other forms of guidance and initiatives could be used to assist entities with understanding the definition and the benefits that are in the scope of the Standard. For example, implementation guidance and establishing a reference group to support the initial application of the Standard. It was also AGREED that the Secretariat should stay close to issues that may arise during the implementation period.

Secretariat

- 9.7 Members NOTED the preliminary feedback from the Secretariat on other matters, as well as the timelines and next steps for the project.

10. EMERGING ISSUES

- 10.1 The Secretariat TABLED a memorandum at the meeting.
- 10.2 A member ASKED about the process entities should follow for approval of an extension in the timelines to submit financial statements. The Secretariat RESPONDED that an exemption from the PFMA would be needed, which requires ministerial approval.
- 10.3 A member ASKED whether the Secretariat has agreements with other organisations that issue guidance or regulations relating to the Standards of GRAP. The Secretariat NOTED that there is a MOU with the Office of the Accountant-General but this does not extend to other units of the National Treasury. It was AGREED that a MOU with other units of the National Treasury should be pursued. It was NOTED that the ASB should be seen to encourage compliance with regulations and other prescripts related to the application of the Standards of GRAP and it is therefore important that the ASB be consulted.

Secretariat

- 10.4 A member NOTED that there is an opportunity to work with SAICA to incorporate public sector content into the curriculum for the CA qualifying exams. A member SHARED that SAICA established a new committee that will look at this for the first qualifying exam. It was ACKNOWLEDGED that this is a step in the right direction,

but there is still work to be done to bring public sector content into university curriculums.

11. GRAP IMPLEMENTATION

The representative of the OAG and Accountant-General NOTED the following:

- The OAG's main focus at present is dealing with PFMA audit queries.
- Issues were raised by stakeholders with the guidance issued by the OAG on the Integrated National Electrification Programme (INEP) grants and related accounting. It is imperative that this matter be resolved.
- The proposed effective dates for three submissions will be published for comment.
- The OAG is developing guidance on the amendments to GRAP 105 to GRAP 107 on transfers of functions and mergers.
- The ASB will be delegated to Deputy Minister Sarupen. A meeting will be facilitated by the OAG at an appropriate time.

OAG/Secretariat

12. UPDATE FROM THE IPSASB MEETING

12.1 The Secretariat and IPSASB Board member PROVIDED feedback from the June 2024 meeting and July check-in meeting.

12.2 The comment letters submitted in the quarter were NOTED.

13. UPDATE FROM THE OPERATIONS COMMITTEE

13.1 The Chairperson of the Operations Committee PROVIDED an update on the Committee's work.

Study fees for J Vissie

13.2 The Operations Committee EXPLAINED that a proposal was made by the CEO to pay for J Vissie's study fees for the Accounting Technician qualification. At present, the study support policy only provides for a refund once employees are successful with their studies. The Operations Committee supported the funding of the study fees, but noted that the Board should approve the departure from the policy. A change to the policy was also proposed.

13.3 The Board APPROVED the payment of J Vissie's study fees, along with changes to the study support policy. A member NOTED that employees should have a work back period and that this should be considered when the policy is revised.

Secretariat

13.4 It was NOTED that the three-year audit and annual Internal Audit plan was discussed, and should be tabled at a subsequent Board meeting for approval.

13.5 The Chairperson of the Operations Committee EXPLAINED the following in relation to the finalisation of the audit and Annual Report for 31 March 2024:

- The external auditor's report requires an amendment to reflect the audit tenure (to comply with SAAPS 3).
- The Report from the Audit Committee was only received on 22 July 2024, and a number of deficiencies were identified in the Report. In particular, the

information on the members, the number/nature of meetings, and meeting attendance were omitted. The list of internal audits was also incomplete. The Report from the Audit Committee also referred to the “AGSA” as the auditors and not MGI RAS.

- 13.6 The Secretariat NOTED that a revised Conflicts of Interest policy was discussed by the Operations Committee. On request of the Committee, a legal view should be sought on certain issues. A service provider will be appointed shortly to deal with this matter. The revised policy will be considered at the next meeting.
- 13.7 The Chairperson of the Operations Committee INDICATED that a report on the Secretariat’s communication activities is reviewed by the Operations Committee at each meeting. It was AGREED that this information would be useful for the Board, and should be presented at the Board meetings from time to time.

Secretariat

14. REPORT FROM THE AUDIT COMMITTEE

- 14.1 Mr F Sinthumule PRESENTED the Report from the Audit Committee.
- 14.2 Members ASKED why the report is different to prior years’ reports. In particular, members NOTED that the report did not deal with all the activities typically undertaken by an Audit Committee.
- 14.3 Mr Sinthumule EXPLAINED that this is a condensed version of the report. He also INDICATED that the membership of the Committee and attendance of meetings is merely an administrative matter that the Secretariat should have dealt with in the Annual Report.
- 14.4 Members INDICATED that the membership and attendance of the meetings is a key measure of an Audit Committee’s effectiveness and performance. As such, it should be presented in the Audit Committee’s report.
- 14.5 The CEO EXPLAINED that, if the Audit Committee intended changing their report, and in particular, including some of the Audit Committee’s information in the Governance section of the Annual Report, this should have been indicated when the Annual Report was reviewed in May 2024 by the Audit Committee.
- 14.6 Mr Sinthumule NOTED that the reference to the “AGSA” was amended to “external auditors” rather than to include the name of the firm. The firm performs the work on behalf of the AGSA therefore the change was actually not needed.
- 14.7 Members and the CEO EXPLAINED to Mr Sinthumule that the ASB’s audit is a section 4(3) audit. In these instances, the audit firm performs the audit independently. This is different to audits that are “contracted” to private firms by the AGSA.
- 14.8 Members RAISED significant concerns with both the Report presented by the Audit Committee, and a potential breakdown in governance at the Audit Committee. Members were particularly concerned about the Audit Committee’s effectiveness in overseeing combined assurance.
- 14.9 Members ASKED that the matter be discussed in-committee. This includes the way forward on the Annual Report.
- 14.10 The Chairperson of the Board EXPLAINED to Mr Sinthumule that the Board would send communication to the Chairperson of the Audit Committee by the end of the

day explaining the Board's discussions and to request that a new Audit Committee report be provided by Friday, 26 July 2024.

15. RESULTS OF THE EXTERNAL AUDIT

15.1 The Secretariat TABLED the audit opinion of the external auditors and management letter.

15.2 The reports were APPROVED by the Board.

16. FINANCES

16.1 The Secretariat TABLED the draft submission to the National Treasury on the retention of surplus funds. It was NOTED that the request is to retain all surplus funds. Some funds will be used to fund future legal fees, and the remaining funds will be used to execute the Language Project.

16.2 It was NOTED that the Operations Committee reviewed the submission and was satisfied with its contents.

16.3 Members SUPPORTED the submission.

Secretariat

Quarterly Reports for March and June 2024

16.4 The Secretariat TABLED the Quarterly Reports for March and June 2024.

16.5 The Secretariat EXPLAINED that the Operations Committee reviewed the reports and approved their submission to the National Treasury.

16.6 The reports were NOTED by members.

Medium-term Expenditure Framework for 2025/26 to 2027/28

16.7 The Secretariat TABLED the MTEF for 2025/26 to 2027/28.

16.8 The Secretariat EXPLAINED the following key points:

- The Budget Guidelines issued by the National Treasury indicated that there would be no increase in baseline allocations other than CPI-related changes. There would also be no increases in an entity's staff structures.
- The templates received from the National Treasury were pre-populated with revenue numbers for all except the outer-year. This meant that this was largely an expenditure budget.
- The expenses were increased by the CPI figures separately provided by the National Treasury. The exceptions were ICT and audit fees. These were increased by about 10% based on recent experience with procurement of these services.
- The Compensation of Employees budget is meant to be escalated using a separate Guide from the National Treasury/DPSA. This Guide is not yet available; as a result, CPI was used.

16.9 The Secretariat EXPLAINED that there is still a need for an additional standard-setter. This is highlighted in the narrative, along with other cost pressures.

16.10 Members NOTED the submission. Editorial corrections were PROVIDED by a member.

16.11A member ASKED about the adoption of accrual accounting and what effect this could have on the ASB's budget.

16.12The Secretariat EXPLAINED that the adoption of accrual accounting is not likely in 2026/27. As a result, there is likely no impact on the current MTEF submission. The Secretariat EXPLAINED that the adoption of accrual accounting is not likely to have a significant impact on the standard-setting activities of the ASB. It is expected that much of the ASB's work will be focused on facilitating the adoption and application of the Standards, potentially through the Knowledge Hub.

16.13The member NOTED that there would need to be a long lead time and that sufficient time should be allowed to support the adoption of accrual accounting.

Budget execution and forecast for March 2025

16.14A memorandum on the budget execution and forecast for 31 March 2025 was TABLED.

16.15Members NOTED the spending to date and the available budget.

Procurement

16.16The Secretariat TABLED a report on procurement for the year. No deviations were NOTED, other than a variation to the ICT contract to allow for an appropriate handover between the old and new service provider.

16.17A member EMPHASISED that assurance providers are focusing on ICT, particularly licences acquired and whether they are used by the entity. If the licences are not used, this will be seen as fruitless and wasteful expenditure.

16.18A number of ICT related initiatives were NOTED, including:

- Using ChatGPT for the initial drafts of the plan language summaries. The paid ChatGPT works well for this work.
- There is a separate ChatGPT for accounting that might be useful for the ASB's work.
- Using Co-Pilot for Microsoft products might be helpful for developing ASB-related documents.

16.19The Secretariat NOTED that it will investigate these as part of the strategy discussion.

17. NON-FINANCIAL PERFORMANCE

17.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat.
- Work programme for 2024/25.
- Monitoring convergence with the IPSASB.
- Enhancing the Application of Standards of GRAP 2024/25 workplan.
- GRAP 104 Reference Group workplan.

Work programme 2024/25

17.2 The Secretariat PROVIDED feedback on the progress of the technical projects, and the Secretariat's involvement in the IPSASB's projects. The Board APPROVED the following amendments to project timelines:

- Postpone the Review Report on the post-implementation review of GRAP 109 *Accounting by Principals and Agents* to the second meeting of quarter 2 (September 2024).
- Postpone the approval of a final Standard of GRAP on *Social Benefits* to quarter 3 (December 2024).

Secretariat

17.3 Members SUPPORTED the Secretariat's proposed approach for the IPSASB EDs on amendments to IPSAS 33 and measurement (application phase).

Secretariat

17.4 A member ASKED whether and how the Secretariat expects to consult local stakeholders on the IPSASB ED on climate-related disclosures, which is expected to be approved in September. The Secretariat PROVIDED a preliminary view that the ED will be exposed concurrently, but that a broader group of stakeholders would need to be consulted - with a specific focus on sustainability reporting experts. A proposal will be brought to the Technical Committee and Board in the next quarter in this regard.

Secretariat

Projected performance for the quarter ended 30 June 2024

17.5 The Secretariat NOTED that the targets for the quarter were achieved.

17.6 A member ASKED whether the Secretariat is aware of the capabilities of Microsoft Forms as it could be a useful tool to consult on Exposure Drafts. The Secretariat AGREED with the observation and has been using it.

18. STRATEGIC PLANNING

18.1 The Secretariat TABLED a memorandum explaining the approach to develop the next strategic plan.

18.2 The Secretariat EXPLAINED that inputs from the previous and current Board would be a key input. The results of the Monitoring and Evaluation project is critical to assess whether the ASB's work is achieving its objectives and what could be improved.

18.3 A member INDICATED that an advance submission will be made prior to the Board meeting.

S Gcwabe

19. RISK MANAGEMENT

19.1 The Secretariat TABLED a Risk Report and updated Risk Register for approval.

19.2 The Secretariat EXPLAINED that a draft Internal Audit report on the ASB's ICT Infrastructure was received. The report highlighted areas that could be improved. The Secretariat will meet with the ICT service provider to discuss what could be implemented, related risks, and cost implications. The risk will be monitored over the next quarter and feedback provided at the next meeting.

Secretariat

19.3 The Secretariat EXPLAINED that Fraud and Ethics is a standing item on the Risk Report. This change was implemented earlier this year based on the

recommendations of the Internal Audit Unit. It was NOTED that employees are required to sign an annual declaration acknowledging compliance with the Code of Conduct, policies, and the use of ASB assets.

- 19.4 The Secretariat NOTED that the Operations Committee identified improvements that can be made to the Risk Management Framework. This will be considered later in the year.

Secretariat

- 19.5 Members APPROVED the revised risk register.

20. POLICIES

- 20.1 The Secretariat TABLED a memorandum on new or revised policies considered by the Operations Committee.

Procurement policy

- 20.2 The Secretariat NOTED that comments were received from the Chairperson of the Operations Committee on the composition of the Bid Adjudication Committee (BAC).

- 20.3 A member INDICATED that guidance should be included on the cancellation of contracts.

- 20.4 A member ASKED if there is guidance on what to do if the bids received are above the threshold value (or below). The Secretariat EXPLAINED that it received guidance from the OCPO on this matter as this situation arose for the ICT contract. It was AGREED that the guidance will be included in the policy and sent to the member who raised the question.

- 20.5 It was AGREED that the updated policy would be circulated for approval.

Secretariat

- 20.6 A member ASKED if changes would be needed to the policy due to the approval of the Public Procurement Act. The Secretariat NOTED that it has a separate policy with procurement goals. This may need to be revisited in light of the new legislation.

- 20.7 It was AGREED that the procurement goals should be included in the procurement policy.

Secretariat

Board evaluation

- 20.8 The Secretariat NOTED that, at the request of the previous Board, the Board evaluation policy was revised. The best practices of Board evaluations in other jurisdictions were considered in developing the revised policy.

- 20.9 The Secretariat ASKED that the Board deliberate two matters:

- Application of this policy to the Audit Committee.
- Timing of assessments.

- 20.10 The Board AGREED that the policy should be used to assess the Audit Committee. It was AGREED that Part B should be completed by the Audit Committee and the Board. Part C should be completed by the Chairperson of the Board, the Chairperson of the Operations Committee and the CEO.

Secretariat

20.11 The Board AGREED that the assessment should be done in Jan-March of each year. This means that there will be no assessment for year 3. The outcomes of the year 2 assessment (done in Jan-March of members' 3rd years) will be used to recommend the re-appointment of members to the Minister.

Secretariat

20.12 Subject to the changes, the Board APPROVED the Board evaluation policy.

Vetting of Board members

20.13 The Secretariat TABLED the new policy on the vetting of Board members. The Secretariat EXPLAINED that the vetting was previously done by the Minister's Office, but that this should be done by the entities in future.

20.14 It was AGREED that, in the event of negative outcomes, the Chairperson of the Board and the individual concerned, should be notified.

21. LEGAL MATTERS

The Secretariat PROVIDED a status update for the RAF matter. The judgement outlining the dismissal of their application for leave to appeal will be circulated to members.

22. FUTURE MEETINGS

Members NOTED the dates of the upcoming Board meetings in September and December 2024.

23. CLOSING REMARKS

Members were THANKED for their participation.

24. IN-COMMITTEE DISCUSSION

24.1 The Board CONVENED for an in-committee discussion to discuss the Audit Committee, and staff and remuneration matters. A Carstens RECUSED herself from the remuneration discussion as she currently performs work for the ASB staff on the GRAP 104 Reference Group.

24.2 The Board DISCUSSED several matters pertaining the Audit Committee and the feedback and remarks made at this Board meeting. It was AGREED that an evaluation of the Committee should be completed and the feedback discussed by the Board. The Audit Committee report was also discussed and it was AGREED that a letter will be send to the Audit Chair, requesting that the report be redone so that it is the same as last year.

24.3 The Chairperson of the Board provided feedback on a staff issue and it was AGREED that he will continue to handle the matter.

24.4 The salary increases and bonuses were PRESENTED by the Operations Committee Chairperson. The Board APPROVED all proposals. The Board AUTHORISED payment of the bonuses and salary increases effective from 1 April 2024.

Prepared by: J Poggiolini

Reviewed by: A van der Burgh

Date: 9 September 2024

Approved: _____

Date: _____