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**MINUTES OF THE ASB'S BOARD MEETING HELD VIRTUALLY ON 26 SEPTEMBER
2024 at 09:00**

PRESENT

CHAIRPERSON

A van der Burgh

MEMBERS OF THE BOARD

A Carstens (not present between 14:00 and 14:35)

W de Jager

D Dlamini

S Gcwabe

S Khan (until 11:40)

A Muller (until 12:00)

INVITEES

F Sinthumule (until 14:00)

L Bodewig

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 (from 12:50)

J Vissie Office Administrator (from
12:50)

1. WELCOME AND APOLOGIES

- 1.1 Members were WELCOMED to the meeting. Apologies were NOTED from L Senne. Other members INDICATED that they may leave the meeting for brief moments (these are listed on the previous page).
- 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 24 July 2024.
- 4.2 Subject to the following amendments, the minutes were APPROVED:
 - Paragraph 15.2 should be updated to indicate that the report from the external auditors was approved subject to the inclusion of the audit tenure.
 - The spelling of the heading for item 18 should be corrected to “Strategic”.

Secretariat

5. MATTERS ARISING FROM PREVIOUS MEETINGS

- 5.1 The Secretariat TABLED the matters arising from past meetings.
- 5.2 The Secretariat PROVIDED feedback from the meeting with the Deputy-Minister.
- 5.3 A member ASKED about the approval of the effective dates of the Standards and if the Deputy-Minister could assist with this process; and whether he could be asked to “champion” an ASB project or initiative.
- 5.4 The Secretariat EXPLAINED that he indicated he can assist with the approval of the effective dates, albeit that the delays seem to be with the Department and not the Minister’s office. The championing of a project will be discussed in the strategy discussion.

Secretariat

- 5.5 The representative of the Office of the Accountant-General (OAG) NOTED that the effective dates are with the Government Printing Works for publication.
- 5.6 The Secretariat EXPLAINED that the draft Service Level Agreement (SLA) was provided to the National Treasury for signature. It is anticipated to be finalised before the end of the month.
- 5.7 The Secretariat INDICATED that the item on the discussion between comparability and consistency was discussed with the trilateral parties, and can be removed from the matters arising.
- 5.8 It was INDICATED that the Procurement Policy will serve before the Operations Committee before being referred to the Board. This allows the policy to be reviewed and updated (if needed) for the latest legislation.

5.9 The Secretariat EXPLAINED that a draft Memorandum of Understanding (MOU) was circulated to the ASB's Head of Technical and the OAG's Head of Technical Support Services for an initial review. Thereafter it will be shared with the Accountant-General for comment.

Secretariat

5.10 The Secretariat INDICATED that the appointment of a Deputy-Chair should have taken place at this meeting. As some members are absent, this will stand over to the next meeting.

Secretariat

6. FEEDBACK FROM THE TECHNICAL COMMITTEE

The Chair of the Technical Committee PROVIDED feedback from the last meeting and NOTED the draft minutes of the meeting held on 9 September 2024.

7. UPDATE OF DIRECTIVE 5 ON DETERMINING THE GRAP REPORTING FRAMEWORK

7.1 The Secretariat TABLED the following documents:

- Memorandum from the Secretariat
- Final Directive on *Determining the GRAP Reporting Framework* and Reporting Framework for 2025/26
- Mark-up Directive on *Determining the GRAP Reporting Framework* and Reporting Framework for 2025/26 (for information purposes)
- Full Reporting Framework (for publication on the website)
- Communication on Reporting Framework (for information purposes)

7.2 A member ENQUIRED about the process the Secretariat will use to identify and assess whether the term 'Standards of GRAP' is used consistently within the suite of Standards. The Secretariat INDICATED that this would not be a lengthy process and would be conducted as part of the improvements project.

7.3 A member ENQUIRED whether respondents would receive feedback on the issues they raised, noting that some had expressed concerns about the inclusion of paragraph .05A. The member EMPHASISED that being responsive to comments is crucial for the effective management of stakeholder relationships. The Secretariat INDICATED that all responses to written and verbal comments would be addressed and published on the ASB website. A feedback statement is also published explaining key comments raised and the Board's response.

7.4 A member ENQUIRED whether the amendments to Directive 5 adequately addressed the issues raised during recent court cases. The Secretariat INDICATED that the purpose of developing Standards is not to cater to a specific entity but for general applicability. The Secretariat further INDICATED that a party to one of the recent court cases submitted a written comment letter raising the same issues and their comments were considered..

7.5 The Board approved the amendments to Directive 5 and the GRAP Reporting Framework for 2025/26.

Secretariat

8. REVIEW REPORT ON THE POST-IMPLEMENTATION REVIEW OF GRAP 109 ON ACCOUNTING BY PRINCIPALS AND AGENTS

- 8.1 The Secretariat TABLED the following at the meeting:
- Memorandum from the Secretariat
 - Draft Review Report on *Post-implementation Review of GRAP 109 on Accounting by Principals and Agents*

8.2 The issue of the treatment of VAT in principal-agent arrangements was NOTED. It was NOTED that SARS plans to issue a general Directive on the treatment of VAT. It was AGREED that the outcome of applying the Directive need not align with the accounting when an entity applies GRAP 109 as the tax and accounting treatment could differ. It was NOTED that the issue does not only relate to tax and accounting, but also how an entity budgets for the transaction. It was AGREED that the Secretariat will review the Directive once published by SARS.

Secretariat

8.3 Members APPROVED the Review Report for publication.

Secretariat

9. EMERGING ISSUES

9.1 The Secretariat TABLED a memorandum at the meeting.

9.2 The Secretariat SHARED verbal feedback from the Research Group meeting held on 13 September 2024. Members DISCUSSED potential risks of the ASB's involvement with the project planned between the Turkey Ministry of Finance, UNISA and the National Treasury. It was AGREED that the Secretariat will involve the Chair when finalising the MOU and will focus its support in the initial phase on research with the issues with adopting IPSAS/accrual accounting.

Secretariat

9.3 A member NOTED it will be useful to assess how the ASB could promote the material of the African Professionalisation Initiative on governance and professionalisation, with the goal of capacity building. It would also help students that are part of the CA programme.

9.4 The representative from the AGSA NOTED that the AGSA will not include work on the mSCOA AFS template in the scope of their 2024/25 audits.

10. WORK PROGRAMME 2024/25

10.1 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

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

10.3 The Board APPROVED the postponement of:

- The approval of the Exposure Draft on amendments to GRAP 109 *Accounting by Principals and Agents* to the first meeting of 2025/26.
- The approval of the final Standard of GRAP on *Social Benefits* to the last meeting of 2024/25.

Secretariat

10.4 Members SUPPORTED the Secretariat's proposed approach for the IPSASB EDs on natural resources and climate-related disclosures.

Secretariat

Projected performance for the quarter ended 30 September 2024

10.5 The Secretariat NOTED the projected performance for the quarter. It was NOTED that two targets are projected to not be achieved.

10.6 With regards to indicator "No. of international board meetings attended (virtually or physically)", the Secretariat EXPLAINED that the target of one meeting per quarter was based on the scheduled in-person quarterly meetings. In recent years mid-quarter virtual check-in meetings have become established practice although they are not guaranteed to be held. It was AGREED that:

- For 2024/25, the attendance of the check-in meetings should be noted in the performance report as it requires additional resources of the ASB and provides additional opportunities to influence the IPSASB's work. These should be reported as additional meetings attended and not counted towards achieving the target, as these meetings are not part of the technical indicator description.
- The Secretariat should consider changing the indicator to a percentage for 2025/26 since the check-in meetings are not guaranteed.

Secretariat

10.7 A member ENQUIRED about the timeline for the Secretariat to develop the communication plan and strategy. The Secretariat INDICATED that it would work towards finalising these for the December 2024 meeting.

Secretariat

10.8 A member ASKED what the status is of achieving the annual performance targets. The Secretariat EXPLAINED that the target for the ED on the GRAP 109 amendments is the only target currently foreseen to not be met in 2024/25.

11. WORK PROGRAMME 2025/26

11.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed project brief on Review of GRAP 18 on *Segment Reporting*
- Proposed project brief on *Transfer Expenses*
- Proposed project brief on *Improvements to the Standards of GRAP, 2026*
- Proposed project brief on Amendments to GRAP 109 on *Accounting by Principals and Agents*
- Proposed amendments to the project brief on *Measurement*

Review of GRAP 18 on *Segment Reporting*

11.2 The Secretariat PRESENTED an overview of the project to the Board.

11.3 The Board NOTED the following:

- A problem area is that entities who should apply GRAP 18 are not. It was noted that entities' systems and internal processes are outdated and could hamper the application of GRAP 18.
- The disclosure required by GRAP 18 can possibly help municipalities which need to prepare separate financial information for their water services. It should be determined whether segment reporting in accordance with GRAP 18 can replace the need for entities to prepare separate financial information for their water services.
- Segment reporting will be useful if the information can be used for tariff setting and management decisions. The Secretariat NOTED that while this can be beneficial, the financial statements are intended to be useful to a wide range of users. Management accounting information, which is used by an entity for internal decision-making purposes, may be different from financial reporting information.
- It is important that entities apply materiality to avoid the risk of multiple, immaterial segments being disclosed.

Transfer Expenses

11.4 The Board NOTED the project brief and proposed timelines.

Improvements to the Standards of GRAP, 2026

11.5 The Board NOTED the project brief and proposed timelines.

Amendments to GRAP 109 on Accounting by Principals and Agents

11.6 The Board NOTED the project brief and proposed timelines.

Amendments to the project brief on Measurement

11.7 The proposed amendment to the timelines of the project on *Measurement* was NOTED.

Way forward

11.8 The Board APPROVED the project briefs.

Secretariat

11.9 It was NOTED that the targets for the 2025/26 APP will tentatively be based on the indicators in the 2024/25 APP. Although they are subject to change once the 2026 to 2030 strategy is finalised, it is not anticipated that there will be any significant amendments from 2024/25 to the indicators.

11.10 The Board APPROVED the indicative work programme for 2025/26 and indicative APP targets.

Secretariat

12. WORK PROGRAMME CONSULTATION FOR 2027-2029

12.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Draft Work programme Consultation 2027 to 2029

12.2 The Secretariat EXPLAINED the proposed theme for the work programme and the process followed to develop the consultation document. The list of projects considered for inclusion was NOTED and members SUPPORTED the proposal on how the question for international alignment projects is framed.

12.3 Members REVIEWED the work programme consultation document and APPROVED it for consultation.

Secretariat

13. REVIEW OF TECHNICAL POLICIES

13.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Due Process Handbook
- SS08 - Terms of Reference Technical Committee
- SS09 - Performance targets and measuring progress
- SS11 - Naming and numbering conventions
- SS013 - Responses to queries
- SS015 - Registration form for open meetings

13.2 The Secretariat NOTED that it reviews the sufficiency and appropriateness of the Due Process Handbook, Procedure Manual and other technical policies annually, even though some policies may require less frequent review. The Secretariat NOTED that the frequency of review of the policies was aligned to practice requiring an annual review.

13.3 Members REVIEWED and APPROVED the proposed amendments to the policies.

Secretariat

14. UPDATE FROM THE IPSASB MEETING

The Secretariat and IPSASB Board member PROVIDED feedback from the September 2024 Board meeting and NOTED the exposure draft published concurrently.

15. LEGAL MATTERS

The Secretariat PROVIDED a status update for the RAF matter. The latest judgement on their leave to appeal was circulated to members.

16. STRATEGIC DISCUSSION

16.1 The Secretariat TABLED the following documents at the meeting:

- Memorandum from the Secretariat.
- Draft Strategy for 2025-2026
- Memorandum on the Adoption of Accrual Accounting.
- PESTEL analysis.

Strategic discussion and comments on draft proposals

Mission, vision, values

16.2 The Secretariat PROVIDED a presentation outlining the role and mandate of the ASB, along with the key results from the Monitoring and Evaluation (M+E) project.

16.3 Members NOTED the following on the evaluation results:

- Some feedback may be provided from organisations that are not well capacitated and may not represent the needs of the sector.
- It would be useful for the report to highlight the role players targeted and which entities responded.
- For future projects, context should be provided for the questions as respondents may not necessarily understand the purpose of the question.
- Certain results will need to be correlated to other publicly available information, for example, the audit outcomes.
- The Research Group should be used to review the questionnaire the next time this type of assessment is done. For example, they would have ensured that there is a “challenge question” that assesses the respondents’ competence; and a “neutral” response would not have been permitted.
- It would be useful to know why certain respondents did not find the communication helpful. It was noted that when the Knowledge Hub is available, mini surveys could be used to gain a better understanding of certain topics.

16.4 Members SUPPORTED the vision as proposed. Members AGREED that the term “financial reporting” should be broader than just financial statements and other traditional “financial reports”.

16.5 Members AGREED that the mission should focus on two aspects (a) the reporting entity providing information to be held accountable and to make decisions, and (b) the users being able to use the information made available to them.

16.6 Members also AGREED that the decisions should be “financial, economic and social”.

16.7 It was AGREED that the proposed “values” should be updated to reflect the following:

- The word “work” should be replaced.
- The last bullet should be reworded along the lines of providing “best value for the resources allocated to the ASB”.
- The values should be updated to reflect both individual and organisational values.

Discussion on Part C of the draft strategy

16.8 Members AGREED that the standard-setting environment has changed substantially since 2021, and there is a need to understand what resources are needed for the ASB. The ASB’s new “state” needs to be understood and resourced appropriately. This analysis could be added as a project to the new strategy.

16.9 A member EXPLAINED that there is still a high-level of reform fatigue in the sector. There should be a balance between issuing new pronouncements, providing a stable state, as well as remaining competitive/comparable to other governments.

16.10 It was OBSERVED that, as a developmental state, Board-issued pronouncements may not always be the right outcome. A policy should be developed to identify what “pathways” could be taken, for example, adopt a Standard, adapt a Standard, do nothing, provide staff guidance or another solution. This should also be undertaken

as a project on the new strategy. The cost-benefit of “solutions” should also be considered.

16.11 A member EXPLAINED that it would be helpful to understand how success will be measured. For example, the improvement of the CFO’s performance and audit outcomes.

Objectives and indicators

16.12 Members AGREED the following changes to the proposed objectives, activities and indicators:

- Manage the resources of the ASB – change the indicator to a “clean audit”.
- Influence and collaborate with stakeholders nationally and internationally – there should be a national indicator (for example, collaboration with the FRSC).
- The project on enhancing the application of the Standards should be changed to reflect the work directed at users of the financial statements.
- Integrated thinking should be added as an activity.

Adoption of accrual accounting

16.13 Members DISCUSSED the proposal from S Gcwabe on the potential legal risk for the ASB:

- The legal risk of the Board not having proposed an adoption date for the Standards of GRAP for national and provincial departments which is contrary to the prescripts of the PFMA. There is also a perceived risk that the Board should have issued a Directive to prescribe the transitional provisions for the departments; something which has not been done.
- Two parties – the ASB and National Treasury – both potentially have the responsibility to set the reporting frameworks for Departments. A recent Court ruling indicates that two parties cannot have responsibility for the same action.

16.14 A member NOTED that the risk may be low when considering the likelihood of this risk occurring. Members also NOTED that transitional provisions (which were issued in Directives for other entities) are not aligned to the Board’s most recent decisions which have been to delay the effective date of implementation rather than provide transitional arrangements/provisions. The representative of the OAG also NOTED that the National Treasury’s Legal Unit indicated that the transitional provisions must be included in the Standards and not in Directives.

16.15 The representative of the OAG INDICATED that when they issued the Modified Cash Standard they consulted with their Legal Unit on potential legal implications and none of these risks were identified.

16.16 Members ASKED about the readiness for departments to adopt accrual accounting and what are the key barriers. As many departments only receive and pay transfers, it may only be a handful of entities where the adoption of accrual accounting may be complex.

16.15 After discussion, members AGREED that a legal opinion should be obtained from the National Treasury’s Legal Unit on these matters.

Secretariat

16.16 Members DISCUSSED the proposal for the ASB to lead a project on the adoption of accrual accounting by departments. The following key points were discussed:

- The role of the ASB versus that of the OAG, i.e. the ASB is the setter of Standards/principles and the OAG supports the implementation in the sector. As the standard-setter, the ASB cannot be involved in operational matters outlined in the proposed plan (for example, setting government-wide accounting policies).
- The Board previously decided that it would only set accrual based accounting standards as this is best practice.
- The ASB does not have the ability or capacity to assess the readiness of the departments to adopt accrual accounting. Assessing the competencies of finance officials and the financial maturity of entities is the responsibility of the National Treasury.

16.17 Members AGREED that the role of the ASB is to set Standards. It is the ASB's mandate to promote/advocate for the adoption of accrual accounting; it is not responsible for the adoption of accrual accounting.

17. FUTURE MEETINGS

Members NOTED the dates of the upcoming Board meetings in December 2024 and March 2025.

18. CLOSING REMARKS

Members were THANKED for their participation.

Prepared by: J Poggiolini

Reviewed by: A van der Burgh

Date: 16 October 2024

Approved: _____

Date: _____