ACCOUNTING STANDARDS BOARD
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MINUTES OF THE ASB'S BOARD MEETING HELD VIRTUALLY ON 27 MARCH 2025

PRESENT

CHAIRPERSON	A van der Burgh	
MEMBERS OF THE BOARD		
	A Carstens	
	D Dlamini	
	W de Jager	
	S Gcwabe (Until 14:00)	
	A Hardien	
	S Khan	
	A Muller	
INVITEES	F Sinthumule	
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

1. WELCOME AND APOLOGIES

1.1 Members were WELCOMED to the meeting.

1.2 It was NOTED that Mr F Sinthumule attended on behalf of Ms P Mzizi, Chairperson of the Audit Committee.

2. CONFIRMATION OF AGENDA

The agenda was CONFIRMED, with the addition of an in-committee discussion and the results of the Board evaluation.

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 3 December 2024.

4.2 The minutes of the meeting were APPROVED without amendment.

5. MATTERS ARISING FROM PREVIOUS MEETINGS

5.1 The Secretariat TABLED the matters arising from past meetings.

5.2 The Secretariat NOTED the following:

- Feedback was provided on the meeting with the Deputy-Minister in February 2025. The new strategy and annual performance plan (APP) were discussed. The Deputy-Minister observed that sustainability reporting may not be as important as it was a few months ago. It was AGREED that feedback from meetings with the Deputy-Minister should be a standing item on the matters arising.

Secretariat

- The Service Level Agreement (SLA) with the National Treasury is on hold given that no facilities are currently available for the ASB to use, and the status of the shared Audit Committee is being discussed with the Minister.
- An updated Memorandum of Understanding (MOU) with the Office of the Accountant-General (OAG) was concluded.

5.3 A member ASKED if the MOU deals with streamlining the approval of the effective dates of Standards. It was NOTED that the MOU outlines a reduced timeframe and that the internal processes in the National Treasury are being made more effective by the OAG.

6. FEEDBACK FROM THE TECHNICAL COMMITTEE

The Chairperson of the Technical Committee PROVIDED feedback from the last meeting. The draft minutes of the meeting held on 4 March 2025 were TABLED.

7. REVIEW OF RESPONSES TO ED 205 SOCIAL BENEFITS

7.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat

- Proposed Standard of GRAP on *Social Benefits* [mark-up from ED 205]
- Analyses of verbal and written comment received on ED 205 [for information purposes]

Background and objective

7.1 The Secretariat NOTED the objective of the discussion was for the Board to consider proposed responses to the comment received and the final Standard of GRAP on *Social Benefits*, for approval or other next steps.

Consultation process

7.2 The Secretariat NOTED the consultation process followed.

Key issues raised by respondents

7.3 The Secretariat EXPLAINED the key issues raised and the Technical Committee's proposed responses, including proposed amendments to the Standard. It was NOTED that a recommendation by the Technical Committee related to the impact of substantive ongoing eligibility criteria on the measurement of social security insurance benefit liabilities is not yet effected in the Standard and will be discussed separately. The following areas were discussed:

<u>Scope of transactions</u>

7.4 The Board SUPPORTED the proposals to clarify the scope.

Secretariat

<u>Definitions – social benefits and social risks</u>

7.5 The Secretariat REMINDED members of the outcome of the Board's discussion of the issue in July 2024.

7.6 Members CONFIRMED the importance of supporting stakeholders with implementing the Standard, including the establishment of a Reference Group. It was AGREED that the Secretariat will present the draft Terms of Reference of the group to the Board in future.

Secretariat

7.7 A member NOTED the memorandum to the Board contains explanations in paragraphs 15 to 17 which may be useful to include in the basis for conclusions. It was AGREED that the Secretariat will review the basis for conclusions to ensure it is complete.

Secretariat

<u>Classification of benefits as social security insurance or social assistance benefits</u>

7.8 The Board SUPPORTED the proposals for minor clarifications to the characteristics.

Secretariat

<u>Recognition requirements and contingent liabilities</u>

7.9 A member NOTED that the IPSASB received a presentation at their March 2025 meeting on the proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments consider the latest definition of a liability in the

IASB's Conceptual Framework, which is aligned to the definition considered by the Board in developing the Standard. The amendments may result in an earlier recognition point for some provisions and may be closer to the proposals in ED 205. It was also NOTED that the IASB retained a standard-level threshold for recognition. It was AGREED that the Secretariat will consider submitting comment to the IASB on relevant proposed amendments.

Secretariat

7.10 Members SUPPORTED the proposal that no other changes are needed to the recognition requirements.

Secretariat

Disclosure requirements

7.11 Members SUPPORTED the disclosure requirements, and the proposal that a sensitivity analysis is not required and should not be added.

Secretariat

"Boundaries" of social benefit liabilities

7.12 Members SUPPORTED that the verification of substantive ongoing eligibility criteria impacts the measurement of a social benefit liability, and not the recognition.

Secretariat

7.13 The Secretariat EXPLAINED the proposal of the Technical Committee that the verification of substantive ongoing eligibility criteria should not impact the measurement of social security insurance benefit liabilities. The potential implications of making this change were also HIGHLIGHTED.

7.14 A member ASKED whether information is available about the difference between liabilities currently recognised and actual payments, and whether the difference is significant. The Secretariat NOTED that this was a concern raised by some stakeholders during the development of the ED and it was also discussed with actuaries, who noted that differences are investigated, and estimates adjusted, if necessary. It was also NOTED that the liability is short-term for certain entities, which means less estimation uncertainty. Members also NOTED the information of actual compared to estimated payments may be skewed for entities with cash flow difficulties who do not pay their liabilities when due.

7.15 Members DEBATED whether this change should be made:

- Some members SUPPORTED making the change, for the reasons put forward by the Technical Committee. It was NOTED this approach would be conceptually sound and support better decision-making and accountability. It was also NOTED that this change is aligned to the reasons for the Board agreeing to develop different recognition points for social security insurance benefit liabilities and social assistance benefit liabilities – social security insurance benefits are funded by contributions and information about the extent to which the entity can fund the benefit in future (from contributions already received) is key in holding the entity accountable and making decisions.

- Other members SUPPORTED issuing the Standard aligned to ED 205. In addition to the reasons noted by the Technical Committee, the following reasons were PROVIDED:
    - The accounting treatment for social benefit liabilities is controversial and the Board may prefer to first assess the actual impact of the requirements on the market. Respondents to the ED may accept the proposals without understanding the impact. To date, the Board could only determine a theoretical impact. Information on the actual impact could be obtained through the Reference Group.
    - Entities' current accounting policies may not faithfully represent the liability in all respects, as the policies are based on insurance accounting principles and the nature of social benefits is different. A further change may have adverse implications for entities' statement of financial position, which should not be an outcome of the Board's Standards unless truly reflective of the liability.
    - The greater the departure from international standards, the increased risk of the Standards of GRAP being less relevant and recognised from an international perspective.
- It was NOTED that there may not be a perfect answer for the Standard and either option has trade-offs or require the balancing of objectives. The importance of initiatives to support the adoption of the Standard, such as the Reference Group, was highlighted.

7.16 By vote, all members AGREED that ED 205 should be amended so that the verification of substantive ongoing eligibility criteria does not impact the measurement of social security insurance benefit liabilities.

Secretariat

Page-by-page review

7.17 The proposed Standard of GRAP on *Social Benefits* was REVIEWED and SUPPORTED, subject to the change agreed above. The analyses of written and verbal comment on ED 205 were NOTED.

Secretariat

Re-exposure

7.18 The Secretariat EXPLAINED the due process to assess the final Standard (as approved by the Board) compared to ED 205 to determine whether re-exposure is required. The Secretariat NOTED the conclusion on the analysis is that re-exposure would be needed given the change approved above. It was NOTED that re-exposure could be limited – in terms of the area exposed and/or the comment period.

7.19 Members AGREED the next step is for the Secretariat to develop a limited Exposure Draft, for the Board's approval at the July 2025 meeting. Proposals should be made on the duration and period of exposure.

Secretariat

8. EDUCATION MATERIAL FOR USERS OF THE FINANCIAL STATEMENTS

8.1 The Secretariat TABLED the following at the meeting:

- Memorandum from the Secretariat
- Proposed plan for 2025/26

8.2 A member RECOMMENDED that the Secretariat considers adding an explanation of the “accountability cycle” referred to in the proposed plan. It was also RECOMMENDED that the Secretariat considers how the material developed for users could complement the material that will be developed for preparers.

8.3 Members SUPPORTED the proposed plan for quarter 1 of 2025/26, and that the plan for quarters 2 to 4 will be finalised considering the feedback received on the consultation of the next work programme.

Secretariat

9. EMERGING ISSUES

9.1 The Secretariat TABLED a memorandum at the meeting.

9.2 Members NOTED that some of the issues do not relate to accounting and the Standards of GRAP, for example issues related to legal requirements, VAT and substance of agreements. Some issues reflect an immature environment and lack of skills, rather than issues with the Standards. Members RECOMMENDED the Secretariat focuses its efforts on resolving issues related to the Standards of GRAP, given its limited resources and the Secretariat being unable to respond to technical queries of individual entities.

9.3 It was NOTED that auditors are also spending a lot of time assessing substance over form and legal issues. It was NOTED the AGSA is assessing possible ways in which some of the issues could be reported in the auditor’s report.

9.4 A member ASKED what the issues are with accounting for water revenue. The Secretariat EXPLAINED the issues are broader and include accounting for infrastructure and complexities with arrangements between local and district municipalities. A member COMMITTED to share information on issues related to GRAP 32 *Service Concession Arrangements: Grantor* and GRAP 109 *Accounting by Principals and Agents* with the Secretariat for consideration.

10. GRAP IMPLEMENTATION

The representative of the OAG PROVIDED the following feedback:

- The budget consumed a substantial amount of time, particularly as it was not approved in February 2025.
- The changes to the PFMA and MFMA were discussed with selected stakeholders. The Minister asked for additional consultations before publishing for comment.
- A standard operating procedure (SOP) was approved outlining how the OAG responds to queries received from stakeholders. An online query system has been established that allows stakeholders to log queries with the OAG. The system will be accessible by interested parties, for example, Provincial Accountants-General (PAGs).
- The Knowledge Hub was launched, and a bigger launch is being planned with the National Treasury’s communication unit.

11. WORK PROGRAMME 2024/25

11.1 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

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

11.3 The proposed changes to the work programme were APPROVED:

- Postponing the review of results of the post-implementation review of GRAP 108 *Statutory Receivables.*
- Postponing the approval of the Exposure Draft on *Improvements, 2026.*

Secretariat

Projected performance for the quarter and year ending 31 March 2025

11.4 The Secretariat EXPLAINED the projected performance for the quarter and year. The targets projected to not be achieved for the quarter and year were NOTED.

11.5 The following change to the reported actual information was AGREED:

- Change the actual annual performance of relevant IASB Exposure Drafts from 100% to "not applicable".

Secretariat

11.6 A member ASKED if the indicator of IASB Exposure Drafts is still relevant. It was AGREED that the Secretariat will consider combining the indicator with the indicator on IPSASB Exposure Drafts in future. It was NOTED this request will be considered with the Technical Committee's discussion on possible future changes to the indicators so that they are less prescriptive and measure the right performance. Some of the Secretariat's activities could be captured in an operational plan rather than the APP. It may be appropriate to lower the targets from 100% to a more reasonable %. Changes could be considered for 2026/27.

Secretariat

11.7 A member NOTED the amount of work to update FAQs and THANKED the Secretariat for their efforts.

12. COMMUNICATION ACTIVIITES

12.1 The Secretariat TABLED a memorandum outlining the work underway to develop the communication strategy and plan for 2025/26.

12.2 The Secretariat NOTED that the IRBA will assist the ASB, and a workshop is scheduled between the ASB and IRBA teams for April 2025. The ASB is grateful to the IRBA for their assistance.

13. INTERNATIONAL STANDARD-SETTING ACTIVITIES

The Secretariat PROVIDED feedback from the recent March 2025 IPSASB meeting. The comment letters submitted in the quarter were NOTED.

14. FEEDBACK FROM THE OPERATIONS COMMITTEE

14.1 The Secretariat TABLED a memorandum outlining the key decisions of the Operations Committee as well as the draft minutes of the meeting held in February 2025.

14.2 The Chairperson of the Operations Committee ASKED whether the R100 000 to review the HR policies requires Board approval. The CEO NOTED that, in terms of the Delegations of Authority, this is within the CEO's mandate.

15. FEEDBACK FROM THE AUDIT COMMITTEE

Report from the Audit Committee

15.1 The Audit Committee TABLED a report outlining its activities for the quarter.

15.2 The Secretariat INDICATED that there is no non-compliance with laws and regulations, particularly the Employment Equity Act. As the ASB was exempt from applying the Act, there is no report that can be filed this year with the Department of Labour. As a result, any compliance requirements would only be applicable in the next calendar year.

15.3 A member ASKED if the Report from the Audit Committee would be updated to reflect the correct facts.

15.4 The representative of the Audit Committee INDICATED that the Report would not be updated and that the minutes should outline the inaccuracies in the Report.

15.5 A member ASKED whether the planned internal audits for the year were completed, and if the Audit Committee was satisfied that the ASB's control environment is adequate.

15.6 The Secretariat EXPLAINED that the last internal audit is close to finalisation. The representative of the Audit Committee NOTED that the final report for the year from the Chief Audit Executive will need to be discussed by the Audit Committee before providing it to the Board.

15.7 A member ASKED when the Board would approve the external audit and internal audit plans. The Secretariat EXPLAINED that a special Board meeting would be arranged once the Audit Committee has discussed these documents.

Secretariat

Response to letter from the Chairperson of the Board to the Audit Committee

15.8 The Audit Committee TABLED a response to the letter from the Chairperson of the Board.

15.9 The Chairperson of the Board ASKED whether the Audit Committee consulted management on the rationale for obtaining the legal opinion on Conflicts of Interest.

15.10 The representative of the Audit Committee INDICATED that they did not consult management and approached the Legal Unit at the National Treasury directly for advice.

15.11 The Chairperson EXPRESSED his disappointment that the Committee still did not consult management and/or the Board on matters that require clarification before approaching external sources.

15.12 The Chairperson NOTED that the terms of reference were received the day before the Board meeting. They will need to be reviewed by the Operations Committee.

Way forward

15.13 The Board AGREED that various matters related to the Audit Committee would be discussed in-committee.

16. FINANCE MATTERS

Quarterly report

16.1 The quarterly report for the period ended 31 December 2024 was TABLED. Members NOTED the report.

Budget execution

16.2 The Secretariat TABLED a report outlining the budget execution to date, along with a forecast for the remainder of the year.

16.3 The Secretariat ASKED the Board to note the re-allocations between the budget line items and how the remaining funds for the year would be spent.

16.4 The Secretariat ASKED the Board to approve the following:

- Travel for the CEO to attend the Public Standard-setters Forum in September 2025. The new Chairperson of the IPSASB will attend and it will be a good opportunity to meet the new incumbent and demonstrate the ASB's interest and commitment to the IPSASB's work. The budget for an overseas trip is usually R100 000 – this trip could be less as the hotel stay and subsistence would be lower as the event is for three days.
- The Operations Committee approved the payment of R50 600 for J Vissie's study support. The approval was made after considering the tax consequences and the affordability of the potential repayment. The payment was made in accordance with the proposed policy to be discussed at this meeting.

16.5 The Board APPROVED the CEO's travel to the Public Sector Standard-Setters Forum in September 2025, and the study support provided to J Vissie.

Secretariat

Budget for 2025/2026

16.6 The proposed budget for 2025/26 was TABLED.

16.7 The Secretariat NOTED that a calculation was performed to assess the impact of the potential increase in VAT. The potential change would result in additional expenses of approximately R7 500. This could be funded from the salary benchmarking that may not be procured in 2025/26. The Board will be informed of any change to the budget.

Secretariat

16.8 The Board APPROVED the budget for 2025/26.

Procurement

16.9 The Secretariat TABLED a memorandum explaining procurement for the year, along with any deviations.

16.10 The Secretariat EXPLAINED that the award for the 'education material for users' was made. The team working on developing the material includes T Tshoke (past employee) and N Themba (past Board member). All the necessary declarations were made at the appropriate steps in the process. The Secretariat also checked with the OCPO if there are any specific prohibitions or requirements to follow. They confirmed there was nothing other than the requirements for awarding bids to employees of the state.

16.11 The representative of the Audit Committee ENQUIRED whether the confirmation from the OCPO was received in writing. The Secretariat CONFIRMED that it was received in writing.

16.12 A member ASKED if the award for the education material included translation. The Secretariat EXPLAINED that the project was always to be completed in phases. In previous discussions, the Chairperson of the Board indicated that there are translation tools available that could translate the material. This would negate the need for a service provider. Instead of spending money on translation, gamification might be a good next step to making the material more accessible.

Risk management

16.13 The Secretariat TABLED a risk report along with the updated risk register.

16.14 The Secretariat EXPLAINED that the Internal Audit Unit (IAU) is finalising the audit on key controls which includes a review of risk management. The IAU was also asked to review the risk management framework against current best practice, particularly the treatment of residual risk. Their recommendations will be included in the final report.

17. NON-FINANCIAL PERFORMANCE

17.1 The Secretariat TABLED the Strategy for 2025/26 and the Annual Performance Plan for 2025/26.

17.2 The Board NOTED the documents.

18. REVIEW OF POLICIES

18.1 The Secretariat TABLED a memorandum explaining revisions to five policies:

- Conflicts of Interest
- Staff Development
- Disaster Recovery Plan
- Occupational Health and Safety
- Performance Management

Conflicts of Interest

18.2 The Secretariat TABLED proposed changes to the draft policy based on feedback received at the last Board and Operations Committee meetings.

18.3 The Board APPROVED the policy. It was NOTED that the Audit Committee requested that they have sight of the policy once approved.

Secretariat

Staff Development

18.4 The Secretariat TABLED a revised Staff Development policy for approval. The changes align the policy with the practices of the DPSA and other public entities. The Operations Committee spent a significant amount of time checking the tax and labour relations consequences of the changes, and these are reflected in the proposed policy.

18.5 The Board APPROVED the policy. The Operations Committee was THANKED for their work on this policy.

Secretariat

Disaster Recovery Plan

18.6 An updated Disaster Recovery Plan was TABLED.

18.7 The Secretariat EXPLAINED that the changes were based on feedback received by the previous Operations Committee in February 2024 which indicated that the policy should be tailored for a virtual work environment.

18.8 The Board APPROVED the policy.

18.9 A member NOTED that the best way to test a Disaster Recovery Plan is to test it. The member also INDICATED that it would be worthwhile undertaking a cybersecurity threat assessment.

18.10 The Secretariat AGREED that this could be useful and will be funded from next year's budget.

Secretariat

Occupational Health and Safety

18.11 The Secretariat TABLED an updated Occupational Health and Safety policy.

18.12 The Secretariat NOTED that the changes were to adapt the policy to a virtual working environment.

18.13 A member ASKED what the legislation stipulates about working from home. It was AGREED that this should be confirmed with the service provider that will review the HR policies.

Secretariat

Performance Management

18.14 The Secretariat TABLED proposed changes to the policy.

18.15 The Board APPROVED the policy.

Employment Equity

18.16 The Secretariat TABLED a memorandum describing the impact of the changes to the Employment Equity Act.

18.17 The Secretariat NOTED that the ASB has too few employees and does not have the resources to implement the Act effectively. As a result, the Operations Committee recommended that exemption be requested from the Department of Labour.

18.18 The proposed exemption request was TABLED. Members AGREED that the request should include the profile of the positions and the number of years of service of the employees.

18.19 Subject to the changes, the Board SUPPORTED the request for exemption.

Secretariat

19. GOVERNANCE

19.1 The Secretariat TABLED a memorandum outlining three issues:

- Board composition.
- Whether the CEO should be part of the ASB Board.
- Declaration by the CEO.

Board composition

19.2 The Secretariat NOTED that, with the resignation of Prof Small, there is vacancy on the Board. The Technical Committee debated whether there is a need to fill the vacancy from a technical perspective. The Committee noted that if one of the candidates from the submission to the Minister is appointed, there is no need to fill the vacancy on the Committee. However, it was agreed that this would need to be considered from an Operations' Committee perspective.

19.3 The Secretariat INDICATED that there is a need for continuity on the Operations Committee. The Secretariat NOTED that the candidates included in the submission to the Minister also have operational experience. If the member is willing to serve on both the Operations and Technical Committees, there is no need to fill the vacancy.

19.4 The Board SUPPORTED the proposal.

CEO as part of the Board

19.5 The Secretariat TABLED a memorandum outlining the history and background to the discussions by the Operations Committee on whether the CEO should be part of the ASB Board.

19.6 The Secretariat EXPLAINED that the way the ASB is structured, the CEO has a close relationship with both staff and stakeholders. This could mean that the CEO is not objective and unbiased when making standard-setting decisions. It was NOTED that this could be an issue considering the Board has a dual role as both a governance body and a standard-setter. As a result, the Operations Committee PROPOSED that the CEO should not be part of the ASB Board.

19.7 Some members SUPPORTED this proposal, while others did not. The members that did not support the proposal, INDICATED the following:

- King IV recommends that the CEO and CFO be part of the Board. There is no clear reason why there should be a departure from what is regarded as best practice.

- Some public entities allow/require the CEO to be part of the Board. This is often driven by a legal requirement.
- The ASB could be structured differently to create more independence.

19.8 The Board AGREED the following:

- The status quo should be retained.
- The ASB should consult with the Legal Unit at the National Treasury about whether the CEO could be part of the ASB Board.
- An analysis of the Board composition should be performed of other standard-setters.

Secretariat

Declaration by the CEO

19.9 The CEO TABLED a declaration for discussion by the Board.

19.10 Members were SATISFIED with the declaration that was made, but some were of the view that the amount that exceeds expenses should be paid to the ASB by the CEO. They believed that, because the CEO attended in an official capacity, any amounts received were to compensate the ASB for expenses.

19.11 The representative of the Audit Committee INDICATED that this situation is dealt with in the PFMA and Treasury Regulations and the CAE should be consulted.

19.12 It was AGREED that it may be appropriate to amend the Travel Policy to restrict when staff should accept per diems paid by external organisations in cash.

Secretariat

20. BOARD EVALUATION

20.1 The Secretariat TABLED a memorandum summarising the results of the Board evaluation.

20.2 The Chairperson of the Board NOTED that most of the issues were discussed and addressed through subsequent events after submitting the evaluation and/or in the discussion at this meeting:

- The strategy and APP will be discussed in the second quarter of this year and members will have an opportunity to provide inputs into the process.
- Risk management was discussed and potential actions identified.
- The composition of the Board was discussed, particularly whether the vacancy left by R Small should be filled. It was AGREED that once the new Board member is appointed, a memorandum should be tabled at the Board discussing the Board composition and succession.

Secretariat

21. LEGAL MATTERS

The Secretariat PROVIDED a status update for the RAF matter.

22. FUTURE MEETINGS

Members NOTED the dates of the upcoming Board meetings in 2025 and 2026.

23. IN-COMMITTEE DISCUSSION

The Board held an in-committee discussion on governance and staff matters.

24. CLOSING REMARKS

Members were THANKED for their participation. The meeting was closed at 14:50.

Prepared by: J Poggiolini

Reviewed by: A van der Burgh

Date: **25 April 2025**

Approved: ______________________ 6/8/2025