



# Contents

Chairperson's report	2
Board members	3
Chief Executive Officer's review	4
Communication with stakeholders	7
Project group participants	8
Governance	9
Report on performance information	12
Sustainability report	16
Report of the Audit Committee	18
Statement of responsibility	19
Auditor's report	20
Annual financial statements	22

# Chairperson's report

The global financial crisis has not affected the public sector Accounting Standard setting agenda to the same extent as the private sector. It has, however, emphasised the need for a comprehensive set of public sector financial reporting Standards that serve the present-day needs of users which are affected by the changing financial reporting climate.

The financial crisis in the European Union, with the loss of confidence by the markets in Greek government debt, illustrates that sound financial reporting is just as critical in the public sector as in the private sector. This draws attention to the nature and credibility of the financial information that governments report to international organisations such as the United Nations, Eurostat and the International Monetary Fund. Of importance is the issue of fiscal sustainability. This is now an emerging issue to which we shall be giving priority.

In South Africa, service delivery protests are increasing the need for accountability by government entities. The Board recognises the important role that its Standards could play in helping to provide relevant information in this regard. However, Accounting Standards are only of value if they are implemented effectively by the preparers of public sector financial reports so as to convey information that is useful to the users.

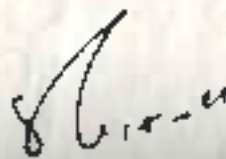
Our meetings with the Auditor-General and the Accountant-General have an important influence in our Standard-setting Programme and in informing us on the implementation issues. A trilateral meeting follows each Board meeting to

ensure a co-ordinated response to the Standard setting programme and the Board is kept informed on implementation and audit issues. We value these meetings.

The Board held four meetings as planned during the year and was able to complete the work programme it had set. The meetings by project group members to deal with individual technical papers played an important part in this. I am therefore very satisfied with the performance of the Board and its Secretariat in the year under review.

I should like to thank:

- The Board members for their hard work and commitment.
- The Secretariat for its hard work in providing the support to the Board enabling it to meet its objectives.
- Members of project working groups for their contribution to the development of our Standards.
- The Accountant-General and Auditor-General and their staff for their support and co-operation.
- Attendees and participants at workshops, seminars and roundtables for their interest and contribution to the development of our Standards.



RG COTTRELL  
CHAIRPERSON

# Board members

## *1. Rick Cottrell*

Chairman of the Board and Management Committee, independent non-executive member  
Appointed February 2002, reappointed January 2009  
Company director and consultant

## *2. Ignatius Schoole*

Deputy Chairperson, independent non-executive member  
Appointed February 2002, reappointed January 2009  
Partner: PWC

## *3. Kim Bromfield*

Management Committee member, independent non-executive member  
Appointed January 2009  
Technical partner: KPMG

## *4. Vuyo Jack*

Management Committee member, independent non-executive member, member of the Audit Committee  
Appointed February 2007  
Chief Executive Officer: Empowerdex

## *5. Cheryl-Jane Kujenga*

Management Committee member, independent non-executive member  
Appointed January 2009  
Audit partner: Ernst & Young

## *6. Krish Kumar*

Independent non-executive member  
Appointed January 2009  
Deputy City Manager: Ethekekwini

## *7. Kimi Makwetu*

Independent non-executive member  
Appointed March 2008  
Deputy Auditor-General

## *8. Freeman Nomvalo*

Independent non-executive member  
Appointed February 2007  
Accountant-General: National Treasury

## *9. Geo Paul*

Independent non-executive member  
Appointed January 2009  
Accountant-General: North West province

# Chief Executive Officer's review

## *Major events that influenced our work programme*

Events both locally and internationally have had an impact on the Standard-setting activities of the ASB over the last financial year, and will continue to do so into the future.

The increasing loss of faith in European Government debt by the markets has illustrated the increased importance of transparency and accountability in financial statements. Questions have been raised, however, about whether users' needs can be met by traditional financial statements (being a statement of financial position, a statement of financial performance, a cash flow statement and notes to the financial statements). This has given the role of additional financial reports heightened prominence. A prime example is the reporting on the long-term sustainability of public finances which provides a holistic picture of a government's obligations and its resources to continue to provide the same level of services into the future while maintaining a stable tax base. Other reports include a report on service outcomes, a narrative report and a report on budget outcomes.

While traditional financial reports will undoubtedly remain the core of future public sector reporting, user needs challenge the traditional role fulfilled by Accounting Standard-setters. At a very basic level, the preparation of traditional financial reports requires a conceptual framework. The development of new reports will also require the development of concepts to underpin the reporting. Developing concepts means determining the purpose of each of these reports, identifying how these reports meet the needs of users, assessing the reports against the qualitative characteristics, and developing the elements and measurement attributes on which the conceptual framework is based.

The International Public Sector Accounting Standards Board (IPSASB) has undertaken a number of projects related to financial reporting. It has issued a Consultation Paper on The Reporting of the Long-term Sustainability of Public Finances and has also commenced development of a conceptual

framework that will, in certain respects, address both traditional financial statements and future developments in financial reporting. Monitoring developments in these areas has, and will continue to influence the ASB's work programme.

At an International Accounting Standards Board (IASB) level, two areas are having a notable impact on the ASB's activities; changing the way financial instruments are accounted for and the introduction of differential reporting.

While South Africa has been relatively unscathed by the credit crisis, one of the areas that affected the ASB's agenda was accounting for financial instruments. As a result of the credit crisis, the IASB attracted pressure from various organisations to change the way in which financial instruments are accounted for. This resulted in a complete revision of the Recognition and Measurement Standard on Financial Instruments and the issuance of a principle-based Standard in its place.

As the timing of the issuance of the replacement Standard was uncertain, the ASB continued with its approach to financial instruments and issued its own Standard in September 2009. While this results in a Standard that is different to that of the IASB, the ASB believes it is appropriate for the South African public sector because it is based on principles that have largely been used and understood by entities in the public sector, but simplified for the types of transactions undertaken. The IPSASB took a different approach in developing its Standards by converging with the three financial instrument Standards issued by the IASB at that time. They concluded that those three Standards were the most appropriate basis for its IPSASs during this time of change. Developments in this area, at both the IPSASB and IASB, are being monitored closely by both boards.

The publication of a comprehensive Standard for Small and Medium Enterprises (SMEs) by the IASB in mid-2009, resulted in differential reporting in the private sector.

## ... CEO's review continued...

This led to many public sector commentators expressing a view that differential reporting, based on the Standard for SMEs, should be allowed in the public sector for smaller, less capacitated entities. The Standard for SMEs applies to entities that are not "publicly accountable". As all public sector entities carry out activities and exercise stewardship over assets in the public interest, the Standard would not, in its current format, meet the objectives of financial reporting in the public sector.

One of the ASB's key objectives in developing Standards of GRAP is to simplify existing Standards wherever possible. This has been demonstrated by the ASB's consideration of the principles in the Standard for SMEs in developing its Standard on financial instruments. The ASB will undertake a research project in 2010 to compare the requirements of the International Financial Reporting Standards (IFRS) for SMEs to the Standards of GRAP in a bid to identify areas that could be simplified.

At a local level, the implementation of the Standards of GRAP by high and medium capacity municipalities also affected the ASB's activities during the year. Interaction with stakeholders at various levels on their experience with the adoption of our Standards during 2008/2009 resulted in:

- Amendments to certain Standards of GRAP being included in the Improvements Project.
- The issue of Directive 7 on The Application of Deemed Cost on the Adoption of Standards of GRAP, which provides entities with a basis for measuring assets where costs information may not be available.
- The issue of non-authoritative "Frequently Asked Questions" by the Secretariat.

The implementation of our Standards has led to increased debate and discussion on accounting matters. It was agreed that the South African Institute of Chartered Accountants (SAICA) should be approached with a recommendation that the ASB take over the accounting discussions previously dealt

with by its "Public Sector Technical Forum". SAICA agreed to this, and the ASB has taken over these discussions under the auspices of a newly established forum, "The Public Sector Accounting Forum", which is administered by the Secretariat.

The enactment of legislation regulating the financial management of Parliament during 2009 means that it is required to adopt Standards of GRAP from 1 April 2010. To respond to their impending implementation, proposed transitional provisions and a reporting framework were developed. As similar legislation will be promulgated in each provincial legislature, it is envisaged that Standards of GRAP will be applied by all provincial legislatures within the near future.

### *Progress in relation to our work programme*

Despite the challenges internationally and locally, the ASB made significant progress in its local Standard-setting agenda. As at the end of March 2009, the following Standards needed to be developed to enable the Standards of GRAP to be deemed a comprehensive set of accounting Standards:

- Financial Instruments,
- Employee Benefits,
- Related Party Disclosures, and
- Entity Combinations.

The ASB issued Standards of GRAP on Financial Instruments and Employee Benefits. Proposed Standards dealing with related party disclosures and entity combinations (including transfers of functions and mergers) are likely to be issued during 2010.

In order to maintain alignment with international Standards the ASB undertook a review and update of the Standards in issue. This resulted in minor amendments being made to some Standards of GRAP. These amendments are effective for financial years commencing on or after 1 April 2011.

## ... CEO's review continued...

Coupled with this review and update, the ASB undertook a project to issue a suite of Interpretations of the Standards of GRAP. These Interpretations are based on those issued by the IASB, where they are relevant to the public sector.

Changes internationally have led the ASB to reconsider its approach to segment reporting. Adopting the new approach to present segment information would simplify reporting in the public sector. The ASB will commence its revision of the Standard of GRAP on Segment Reporting during the next financial year.

To enhance the robustness of the ASB's due process, it aimed to increase its consultation with stakeholders during the last year. This has had positive results, particularly in receiving input on the Improvements Project. A schedule of the Secretariat's consultations over the last year is included elsewhere in this publication. As in the past, the Secretariat has continued its written communication with stakeholders through the publication of newsletters and occasional articles.

We have maintained close liaison with the IPSASB over the last year and continue to make contributions to its Standard-setting activities. This has been achieved through our participation on its board, its various sub-committees and by assisting with the drafting of IPSASs. Most notably, the ASB's work on intangible assets, agriculture and service concession arrangements enabled us to make contributions to the IPSASB's work.

### *Operational review*

The ASB's operations are financed by a transfer payment from the National Treasury. The ASB reported a surplus of R810 426 before depreciation and impairment and a surplus of R653 168 after depreciation and impairment.

The ASB operated within its approved budget. It is expected that an amount of R126 227 will be refunded to the National Treasury. This is due mainly to savings arising from the reduction of planned Board meetings from five to four and a similar reduction in Management Committee meetings. Some of these savings have been offset, however, by increased expenditure on meetings with stakeholders.

The National Treasury approved the retention of last year's amount of R743 577. The amount was recognised as revenue in the year ended 31 March 2010. The Board will approve the budget for the utilisation of these funds during the next financial year.

The Secretariat operated at full capacity during the reporting period. The increased focus on communication with stakeholders, added to the demanding work programme and research agenda, means that members of staff are increasingly working under extreme pressure.

### *Acknowledgements*

In reflecting on the past year's achievements, it is appropriate for me to thank the Board and the Management Committee whose leadership and guidance made these achievements possible.

I am grateful to my staff for their commitment in shouldering increased responsibilities.



EL SWART  
CHIEF EXECUTIVE OFFICER

# Communication with stakeholders

The Secretariat engaged in a number of initiatives to ensure stakeholders are informed about our process and Standards. The table below summarises the 2009/10 presentations and the topics presented:

Topic	Audience
GRAP Reporting Framework, including transitional provisions for the 2008/09 reporting period	Provincial Accountants-General Institute of Municipal Finance Officers (IMFO) – Western Cape conference KwaZulu-Natal Provincial Treasury Free State Provincial Treasury
GRAP Reporting Framework for the 2009/10 reporting period	National CFO Forum (Public Entities) City of Cape Town municipal officials
GRAP Reporting Framework and transitional provisions for Parliament and Provincial Legislatures	Finance officials, Parliament and Legislatures Secretaries Association of the Legislatures of South Africa
Improvements and Interpretations project	Auditor-General of South Africa – product champions Free State Provincial Treasury (including municipalities) SAICA Siyenze Manje Project IMFO KwaZulu-Natal Western Cape Provincial Treasury (including municipalities) IMFO Western Cape IMFO Eastern Cape City of Tshwane Metropolitan Municipality
Raising awareness about the ASB and its activities	South African Local Government Association Delegation from Supreme Audit Institution of India National CFO Forum (departments) – General update National CFO Forum (departments) General update, overview of Improvements and Interpretations project National CFO Forum (departments) – General update, overview of Transfer of Functions and Directive 7 Provincial Accountants – General Forum – General update, overview of Improvements and Interpretations Project Provincial Accountants – General update, overview of Improvements and Interpretations Project
Issues arising from the adoption of Standards of GRAP during 2008/09	IMFO Northern Region
<i>Specific topics:</i> IPSASB's consultation Paper on Reporting the Long-Term Sustainability of Public Finances	International Association of Actuaries
Proposed Directive 7 on The Application of Deemed Cost on the Adoption of Standards of GRAP	Roundtable discussion
GRAP 23 on Revenue from Non-exchange Transactions (Taxes and Transfers) and proposed transitional provisions	South African Revenue Service
Standards of GRAP on assets and transitional arrangements	National Department of Public Works
GRAP 17 on Property, Plant and Equipment	SAICA Siyenze Manje Project
GRAP 103 on Heritage Assets	South African Heritage and Resources Agency - Cape Town

# Project group participants

We acknowledge the contributions by the following persons:

## *Annual improvements*

F Abba	Deloitte
Z Beseti	KPMG
A Colyvas	Altimax
B Colyvas	Protect-a-Partner
A Escott	Deloitte
D Esterhuizen	PWC
M Mahadeo	Ernest & Young
K Pillay	National Credit Regulator

## *Financial Instruments*

T Derwin	Deloitte
M Gerber	Deloitte
Y Higgs	Western Cape Provincial Treasury
M Lorgat	SAICA
J Truscott	Ernst & Young

## *Transfer of functions*

Z Beseti	KPMG
L Bodewig	Office of the Accountant-General
C Braxton	PWC
B Colyvas	Protect a Partner
M Lorgat	SAICA
M Mentz	Auditor-General of South Africa
T Sikhwivhilu	Ernst & Young
L Venter	Deloitte

# Governance

This report explains the Board's approach to corporate governance. This and the sustainability report presented elsewhere in this annual report form part of the ASB's approach to integrated reporting.

## *The Board*

The Board presently comprise the nine members whose names appear on page 3. Board members have a diverse range of expertise, experience and professional skills in accounting and the public sector.

Board members are appointed in their individual capacities and not as a representative of an organisation. The Board comprises ten members of which nine have been appointed. Three of the current Board members' terms of office expired during 2009 and one vacancy remains unfilled.

The Board awaits the Minister's decision on the appointment of members to fill these four vacancies.

## *Functions of the Board*

The primary function of the Board is to approve discussion papers, exposure drafts, Standards of GRAP, directives and interpretations for issuance. It is responsible for oversight of the administration of the ASB's affairs and performs the role of the accounting authority in terms of the \*PMFA. In this connection it approves policies, of which eleven of the thirty six policies currently implemented, were modified during this year.

## *Board meetings*

The Board meets quarterly with additional meetings being convened if the need arises. Board meetings may be attended by interested parties in an observer capacity. The chairperson of the Association of Public Accounts Committee has a standing invitation to attend Board meetings.

## *Management Committee*

The Management Committee assists in ensuring that the Board can discharge its duties and responsibilities.

The Management Committee consists of the chairman and three other Board members.

## **Functions that the Board has delegated to the Management Committee include:**

- Consideration and recommendation of budgets for approval by the Board;
- Monitoring the operations of the ASB, as delegated to the CEO, through management reports, including considering the financial reporting and performance against the approved budget;
- Monitoring compliance with the delegation of authorities to the CEO and staff of the ASB;
- Recommending policies and strategies to the Board, monitoring their implementation and ongoing compliance therewith;
- Considering internal and external audit findings and the action taken;
- Considering the work programme and monitoring the Secretariat's performance against the work programme; and
- Considering remuneration and incentive awards for staff, recommending their approval to the Board and overseeing compliance with Human Resource policies.

The Management Committee met three times during the year.

## *Audit Committee*

The Audit Committee, which is responsible for the oversight of integrated reporting, internal audit and external audit, is shared with the National Treasury. During the year under review, a current Board member, Ignatius Sehoole, chaired the Audit Committee until he stepped down. Another Board member, Vuyo Jack, has been appointed as a member of the Audit Committee.

The National Treasury report deals more fully with the activities of the Audit Committee.

\* Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA)

## ... Governance continued...

### Remuneration of Board members

The basis for remunerating Board members is approved by the Minister of Finance. Some members are not remunerated due to the terms of their employment with their employers. The chairperson is paid an annual fee for his functions other than attendance at meetings. Members are also entitled to reimbursement of their travel expenses.

### Internal control and risk management

Due to the size of the organisation a complete system of internal control and risk management is not possible. Reliance is placed on the supervision provided by the CEO and the monitoring of the financial affairs by the Management Committee using the financial reports and the comparisons against budget. Reliance is also placed on the

assurance provided by internal and external audits. It is considered that the policies, procedures and practices in place provide adequate safeguards over the assets of the organisation and the expenditure it incurs.

The ASB has assessed its risks and approved a risk management strategy and policy aimed at responding to these risks. This strategy and policy ensure that the ASB is responsive to changes faced in its operating environment.

### Compliance with laws and regulations

The ASB, together with internal audit, has considered compliance with the applicable laws and regulations which relate to its activities. Processes have been established and implemented to ensure compliance.

#### Remuneration received by members for the year under review was as follows:

Members	Board		Management Committee		Project and Ad Hoc		Chairperson fees	Total 2010	Total 2009
	Meetings	Fees	Meetings	Fees	Meetings	Fees			
<b>Paid to members:</b>									
R Cottrell	4 of 4	78 282	3 of 3	17 541	1 of 1	3 124	94 325	193 272	220 889
K Kumar	4 of 4	45 735	n/a	-	1 of 1	2 480	-	48 215	22 360
L Konar	n/a	-	n/a	-	n/a	-	-	-	53 146
<b>Paid to employer:</b>									
K Bromfield	3 of 4	39 424	3 of 3	13 144	3 of 3	11 309	-	63 877	29 737
V Jack	4 of 4	52 138	2 of 3	8 918	n/a	-	-	61 056	94 760
C Kujenga	3 of 4	39 424	2 of 3	8 463	n/a	-	-	47 886	29 737
I Sehoole	3 of 4	38 085	n/a	-	n/a	-	-	38 086	82 419
I Mamojee	n/a	-	n/a	-	n/a	-	-	-	59 275
<b>Not remunerated:</b>									
K Makwetu	2 of 4	-	n/a	-	n/a	-	-	-	-
F Nomvalo	0 of 4	-	n/a	-	n/a	-	-	-	-
G Paul	3 of 4	-	n/a	-	n/a	-	-	-	-
<b>Grand Total:</b>		<b>293 088</b>		<b>48 066</b>		<b>16 913</b>	<b>94 325</b>	<b>452 392</b>	<b>592 323</b>

See also note 16 of the annual financial statements for a summary of all fees received

## **... Governance continued...**

### ***Internal audit***

Internal audit provides assurance that the internal controls are adequate and are operating effectively. There were no significant findings.

The ASB shares its internal audit function with the National Treasury and reports directly to the latter's Audit Committee.

### ***External audit***

Xabiso was appointed as the external auditors for the year under review. No non-audit services were provided by the external auditors. The report of the external auditors is set out on pages 20 and 21.

### ***Ethics and ethics management***

The ASB has established a code of ethics to ensure that its operations are conducted fairly, impartially and in an ethical and proper manner. Alongside this code is a disciplinary process.

The code of ethics requires the Board and its staff to be independent and free from conflicts of interest. A register of interests declared is maintained and available for inspection.

Members of staff have unrestricted access to the CEO and the Board members should any ethical dilemma arise.

### ***Health and safety***

To ensure a safe working environment for all employees, the ASB has developed and implemented a policy which is in line with the requirements of the Occupational Health and Safety Act. Any potential health or safety risks that are reported to the CEO are considered at Management Committee meetings.

### ***Materiality and significance framework***

The ASB has developed and approved a materiality and significance framework that is appropriate for its size and circumstances.

### ***Human resource management and development***

Resource management and development is a key function of the Management Committee. The ASB has developed and implemented policies relating to the appointment, evaluation and development of professional staff.

Employee remuneration and bonuses are paid in accordance with the ASB's remuneration policy. The Management Committee is responsible for ensuring the ASB's policies are implemented properly.

### ***Employment equity***

The ASB supports employment equity in the workplace.

### ***IT Governance***

The ASB's IT strategy is integrated with its overall business strategy to improve performance and sustainability. The ASB has delegated its responsibility to implement and monitor the IT governance and framework to the Management Committee. Regular feedback is given by the CEO to the Management Committee in this regard.

Even though the ASB has outsourced its IT services to an independent party, appropriate service level agreements have been entered into to ensure compliance with all the relevant legislation, rules, codes and Standards.

### ***Complaints***

Any complaints received by the ASB are tabled at Management Committee meetings.

### ***Social responsibility***

As the ASB is financed by transfer payments from the National Treasury, its policy is to make no donations or contributions from its funds for social responsibility.

# Report on performance information for the year ended 31 March 2010

## 1. Set Standards of GRAP as required by section 216(1) of the Constitution.

Action	Targeted outcome	Actual outcome for the year	Reason for deviation
<p>Develop work programme after consultation with relevant stakeholders.</p> <p>Update work programme with new developments and Standards issued by the IPSASB and other Standard setters at each Board meeting.</p> <p>Consider best accounting practices locally and internationally when developing exposure drafts of Standards of GRAP.</p> <p>Prepare and publish Exposure Drafts (EDs).</p> <p>Amend exposure drafts and publish final Standards of GRAP.</p> <p>Respond to comments, issues and concerns raised by stakeholders during the exposure period.</p> <p>Ensure adequate representation and diversity of stakeholders on project groups.</p>	<p><b>Exposure drafts:</b> The following EDs were included on the 2009/10 work plan for publication:</p> <ul style="list-style-type: none"> <li>• Improvements to Standards of GRAP</li> <li>• Related Party Disclosures</li> <li>• Service Concession Arrangements</li> <li>• Transfer of Functions</li> <li>• Entity Combinations</li> <li>• Re-exposure: Segment Reporting</li> <li>• Re-exposure: Agriculture</li> <li>• Re-exposure: Intangible Assets</li> </ul> <p><b>Standards of GRAP:</b> The following Standards of GRAP to be issued were included on the 2009/10 work plan for issue:</p> <ul style="list-style-type: none"> <li>• Financial Instruments</li> <li>• Employee Benefits</li> <li>• Related Party Disclosures</li> <li>• Segment Reporting</li> <li>• Improvements to Standards of GRAP</li> </ul> <p><b>Discussion Papers:</b> Discussion Papers to be issued concurrently with IPSASB during 2009/10:</p> <ul style="list-style-type: none"> <li>• Conceptual Framework</li> <li>• Fiscal Sustainability</li> </ul> <p><b>IPSASB exposure drafts:</b> Exposure drafts to be issued concurrently with IPSASB during 2009/2010:</p> <ul style="list-style-type: none"> <li>• Financial Instruments</li> <li>• Agriculture</li> <li>• Intangible Assets</li> <li>• Entity Combinations</li> <li>• Service Concessions</li> </ul>	<p><b>Exposure drafts:</b> The following EDs were issued for publication:</p> <ul style="list-style-type: none"> <li>• Improvements to Standards of GRAP (ED 63)</li> <li>• Re-exposure: Employee Benefits (ED 58)</li> </ul> <p><b>Standards of GRAP:</b> The following Standards were approved:</p> <ul style="list-style-type: none"> <li>• Financial Instruments (GRAP 104)</li> <li>• Employee Benefits (GRAP 25)</li> <li>• Improvements to Standards of GRAP</li> </ul> <p><b>Discussion Papers:</b> IPSASB did not publish any papers on the conceptual framework during 2009/10.</p> <p>The Discussion Paper on Long-term Fiscal Sustainability was published by IPSASB in December. The ASB issued a concurrent exposure thereof (ED 68).</p> <p><b>IPSASB exposure drafts:</b> The following concurrent EDs were issued:</p> <ul style="list-style-type: none"> <li>• Financial Instruments (ED 60)</li> <li>• Agriculture (ED 59)</li> <li>• Intangible Assets (ED 61)</li> <li>• Entity Combinations (ED 62)</li> <li>• Service Concession Arrangements: Grantor (ED 71)</li> </ul>	<p><b>Exposure drafts and Standards:</b></p> <ul style="list-style-type: none"> <li>• Related Party Disclosure: IASB finalised its Standard towards the end of 2009 and we are now developing a GRAP.</li> <li>• Service Concessions: IPSASB approved an exposure draft at their December meeting. The ASB issued it as a concurrent ED and will commence work on a local ED once IPSASB has finalised its Standard.</li> <li>• Transfer of Functions and Entity Combinations: IPSASB could not reach consensus on an IASB converged Standard and has returned to the drawing board to draft a discussion paper.</li> <li>• Re-exposure Segment Reporting: to be issued towards middle of the year due to other priorities on work plan.</li> <li>• Re-exposure Intangible Assets: IPSASB approved final Standard in December 2009. Amendments required will be issued as part of the next Improvements project.</li> <li>• Re-exposure Agriculture: IPSASB approved final Standard in December 2009. Amendments required will be issued as part of the next Improvements project.</li> </ul> <p><b>Discussion Papers:</b> Discussion Paper on Framework to be issued once it is issued by the IPSASB.</p> <p><b>IPSASB exposure drafts:</b> No deviation.</p>

**... Report on performance information  
for the year ended 31 March 2010  
continued...**

**2. Publish directives, guidelines and interpretations concerning the Standards of GRAP.**

Action	Targeted outcome	Actual outcome for the year	Reason for deviation
<p>Publish directives, guidelines and interpretations on accounting and financial reporting.</p> <p>Amend and re-publish final directives, guidelines or interpretations.</p> <p>Respond to comment, issues or concerns raised by stakeholders during comment period.</p>	<p><b>Final Directives:</b> The following directives are to be approved as final directives during 2009/10 as per the work plan: Amendments to Directives 2 to 4 prescribing transitional provisions for a transfer of functions.</p> <p><b>Interpretations:</b> The following Interpretations to the Standards of GRAP were to be issued as EDs as per the work plan: 12 Interpretations to the Standards of GRAP previously included in the Standards of GRAP.</p>	<p><b>Final Directives:</b> The following directives were approved during the year under review: Amendments to Directives 2 to 4 prescribing transitional provisions for transfers of functions.</p> <p><b>Interpretations:</b> The following Interpretations to the Standards of GRAP were approved as EDs: • 12 Interpretations to the Standards of GRAP previously included in the Standards of GRAP (ED 64) • 2 additional Interpretations issued as EDs following 2 IFRICs issued by IASB (ED 64)</p> <p><b>Additional pronouncements issued that were not included on the 2009/2010 work plan:</b> • Transitional provisions: GRAP 23, 24 and 103 (ED 56 and final) • Directive 6: Transitional Provisions for Revenues Collected by SARS (ED 57 and final Directive) • Transitional provisions: GRAP 21 and 26 (ED 65 and final) • Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP (ED 66 and final Directive) • GRAP Reporting Framework for 2010/2011 (ED 67 and final Framework) • Directive 8: Transitional provisions for Parliament (ED 70) • GRAP Reporting Framework for Parliament – Amendments to Directive 5 (ED 72)</p> <p>We have submitted the following comment letters:</p> <p><b>To IPSASB</b></p> <ul style="list-style-type: none"> <li>• Improvements Project</li> <li>• Agriculture</li> <li>• Intangible Assets</li> <li>• Financial Instruments (3 EDs)</li> <li>• Entity Combinations</li> </ul> <p><b>To IASB</b></p> <ul style="list-style-type: none"> <li>• Rate Regulated Industries</li> </ul> <p><b>To SAICA</b></p> <ul style="list-style-type: none"> <li>• Financial Reporting Framework for Non-public Entities</li> </ul>	<p><b>Final Directives:</b> No deviation.</p> <p><b>Interpretations:</b> 2 additional Interpretations issued as EDs following 2 IFRICs issued by IASB.</p> <p>In total 14 Interpretations of the Standards of GRAP issued.</p>

**... Report on performance information  
for the year ended 31 March 2010  
continued...**

**3. Recommend to the Minister of Finance appropriate dates for implementation of Standards of GRAP for the different categories of institutions to which the Standards of GRAP apply.**

Action	Targeted outcome	Actual outcome for the year
<p>Recommend effective dates for implementation of Standards of GRAP in accordance with the approved process.</p>	<p>Recommend an effective date for implementing each Standard of GRAP based on the capacity of the relevant institutions to which the Standard of GRAP applies.</p>	<p>The following submissions were made to the Minister of Finance for the implementation of the Standards of GRAP:</p> <ul style="list-style-type: none"> <li>• Impairment of Non-cash-generating Assets (GRAP 21)</li> <li>• Impairment of Cash-generating Assets (GRAP 26)</li> <li>• Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23)</li> <li>• Presentation of Budget Information in Financial Statements (GRAP 24)</li> <li>• Impairment of Cash-generating Assets (GRAP 26)</li> <li>• Heritage Assets (GRAP 103)</li> </ul> <p>Other submissions to the Minister of Finance:</p> <ul style="list-style-type: none"> <li>• New member and re-appointment of existing members</li> <li>• Amendments to the Regulations of the ASB</li> <li>• Application of the Standards of GRAP by Parliament</li> </ul>

**4. Perform any other function incidental to advancing financial reporting in the public sector.**

<p>Participate in national and international Standard setting processes.</p> <p>Respond to and provide comment and input on all major consultation papers that affect financial reporting, issued by government and other stakeholders.</p> <p>Promote advantages of financial reporting in the public sector by assisting the National Treasury and other institutions with documents designed to assist implementation of Standards of GRAP.</p> <p>Develop the ASB's website into a source of more detailed information about technical projects and publicise its availability.</p> <p>Publish and write accounting-related articles in order to advance financial reporting.</p> <p>Tailor communications to specific stakeholder audiences and conduct liaison activities with specific stakeholder groups, focusing on issues expected to be of interest to them.</p> <p>Publish documents approved by the ASB on the website.</p> <p>Publish regular newsletters on the website.</p> <p>Respond to technical queries on a timely basis.</p> <p>Attend and make presentations at conferences and seminars to explain new pronouncements.</p> <p>Meet with major stakeholders, in particular the Standing Committee on Public Accounts, the Minister of Finance, the National Treasury and the Auditor-General.</p>	<p>Performance of functions incidental to advancing financial reporting in the public sector.</p>	<p>The following functions were performed during the year under review:</p> <ul style="list-style-type: none"> <li>• CEO is deputy chair of IPSASB</li> <li>• CEO is member of IASB/IPSASB liaison committee</li> <li>• Secretariat assisted IPSASB in drafting IPSASs on Financial Instruments based on IAS 32, IAS 39 and IFRS 7</li> <li>• Secretariat assisted Office of Accountant-General by reviewing asset implementation guides</li> <li>• Secretariat assisted the National Energy Regulator of South Africa (NERSA) by reviewing its implementation guideline to support the preparation of regulatory information</li> <li>• Develop and publish material to assist in the migration to the Standards of GRAP e.g. summaries and frequently asked questions for each Standard of GRAP issued, asset decision tree</li> <li>• Maintained website</li> <li>• Wrote and published articles for IMFO, SALGA &amp; SAICA</li> <li>• Made presentations or participated in workshops and conferences (see separate summary in this publication)</li> <li>• Issued newsletters after each Board meeting</li> <li>• Arranged and participated in four trilateral meetings scheduled after each Board meeting</li> <li>• Established an accounting forum to assist in clarification of matters related to Standards of GRAP</li> </ul>
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... Report on performance information  
for the year ended 31 March 2010  
continued...

**5. Manage the ASB to ensure compliance with the best practices in corporate governance appropriate to the ASB, and achieve compliance with the relevant laws and regulations.**

Action	Targeted outcome	Actual outcome for the year
<p>Establish appropriate corporate governance structures, set policies appropriate to the ASB and assess compliance with these policies.</p> <p>Comply with the relevant laws and regulations applicable to a public entity.</p> <p>Report regularly to the Board on the financial performance, financial position and service delivery of the ASB.</p> <p>Manage and report annually on the financial performance, financial position and service delivery of the ASB in accordance with legislative requirements.</p>	<p>Managing the entity to comply with best practices in corporate governance, appropriate to the public entity, and comply with the relevant laws and regulations.</p>	<p>The audit report was not qualified and the external auditors did not identify any significant matter to report to the Board.</p> <p>Internal audit performed follow-up audits or have scheduled a follow-up audit. No material/significant findings reported.</p>

# Sustainability report

Sustainability reporting in the public sector is a relatively new area, both locally and internationally. This is the first year that a sustainability report has been produced by the ASB. It will evolve and improve as more comprehensive data is collected.

The primary purpose of assessing the sustainability of any organisation is to ensure that it can continue to operate and improve without compromising the ability of future generations to do the same. For the ASB, sustainability means both economic and environmental sustainability.

## *Economic sustainability*

Economic sustainability in the public sector broadly means “the ability of government to meet its service delivery and financial commitments both now and in the future”,\*and encompasses principles such as solvency, growth, fairness (often referred to as intergenerational equity) and maintaining a stable tax base. As the ASB is wholly dependent on a transfer payment from the National Treasury, its economic sustainability depends solely on continued funding from the National Treasury.

## *Environmental sustainability*

The ASB focuses its environmental sustainability in two areas:

- Assessing the consumption of goods and services that increase its carbon footprint, and analysing measures that can be instituted to offset the effect of consuming these goods and services.
- Managing waste.

## *Consumption of goods and services*

The ASB consumes goods and services in executing its day-to-day activities that increase the ASB’s carbon footprint. Most notably, the ASB’s electricity, water and paper consumption, as well as air travel, have an effect on the environment. Wherever possible, measures to reduce or offset consumption in these areas are implemented.

Air travel, both domestic and international, is one of the major contributors to the ASB’s carbon footprint. Given the nature of the ASB’s activities, air travel is necessary for effective communication with stakeholders. Alternatives such as teleconferencing are used when feasible, based on the length and nature of the communication. Measures to offset the effect of air travel will be investigated. It should, however, be remembered that the most efficient option is often for the ASB staff to travel to meeting venues than for larger numbers to travel to the ASB.

\* Working definition, IPSASB’s Consultation Paper on Reporting on the Long-Term Sustainability of the Public Finances

## ... Sustainability report continued

Table A below outlines the ASB's consumption during the year, as well as measures to reduce or offset consumption.

Table A: Consumption of goods and services that increase carbon footprint		
	Quantity per annum	Measures to reduce consumption or offset carbon footprint
Water consumption	109 kilolitres	As the amount of water consumed is minimal, and already at an efficient level, no active measures are being taken to reduce the water consumption.
Electricity consumption	20 862 kilowatts	Conserve electricity by turning off lights and power to plugs in the evenings, over weekends and holidays.
Paper	305 kilograms	Publications produced by the ASB are made available on the website and through the distribution of CDs to stakeholders. Used paper is recycled.
Air travel	International travel: 250 200 kilometres Domestic travel: 41 020 kilometres	Use of teleconferencing wherever feasible (decision based on length and nature of discussion required).  A programme to offset carbon emissions from air travel will be investigated in the new financial year.

### Waste management

The ASB has recognised that waste management is an important environmental consideration. Products that may have a harmful effect on the environment through disposal using traditional methods (e.g. landfill) are identified and such products are disposed of using more environmentally friendly means.

As an example, e-waste which may include lithium iron and alkaline batteries, is disposed of using specifically identified e-waste containers. The ASB currently only recycles used paper. However, in an effort to reduce the waste disposed of through landfill sites, efforts will be made to implement measures to recycle tin and plastic.

Table B: Important waste products and disposal methods

	Disposal method
E-waste	Specifically identified e-waste containers.
Used paper	Paper donated to schools for recycling.
General waste	Currently disposed of through the use of landfill sites. Will aim to reduce the amount of landfill waste by recycling plastic and tin.

# Report of the Audit Committee

The Audit Committee is regulated by its approved terms of reference, and has discharged its responsibilities set out therein.

The Audit Committee has, amongst others, reviewed the following:

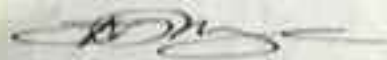
- The effectiveness of the internal control systems;
- The effectiveness of the internal audit function;
- The risk areas of the entity's operations covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial information provided by management for users of such information;
- Accounting and auditing concerns identified as a result of internal and external audits;
- The entity's compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the response of management to specific recommendations; and
- The independence and objectivity of both internal and external auditors.

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditor, and discussions with the independent external auditor on the result of its audit, that the internal accounting controls may be relied on for preparing the annual financial statements and that accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

The Audit Committee has evaluated the annual financial statements of the Accounting Standards Board for the year ended 31 March 2010 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1 of the annual financial statements. The Audit Committee concurs that the adoption of the going concern assertion in the preparation of the annual financial statements is appropriate.

The Audit Committee recommended, at its meeting held on 9 June 2010, the adoption of the annual financial statements to the board.



M LEHOBYE  
ACTING CHAIRPERSON OF THE AUDIT COMMITTEE

# Statement of responsibility

The Board is responsible for preparing and presenting financial statements that fairly present the financial position, performance and cash flows for the period.

The Board maintained adequate accounting records and an effective system of internal controls and risk management and complied, in all material respects, with applicable laws and regulations.

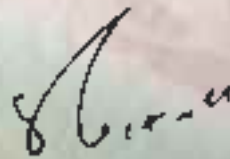
The Board prepared the annual financial statements, presented on pages 22 to 32, using Standards of GRAP, and in the manner prescribed by the PFMA. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates have been used consistently.

The Board is financially dependent on a transfer payment from the National Treasury. On the basis that the transfer payment has been listed in the Estimates of National Expenditure, the Board believes that the ASB will continue to be a going concern in the year ahead. For this reason, the

Board prepared the annual financial statements on a going concern basis.

The external auditors, Xabiso Chartered Accountants, are responsible for reporting on whether the financial statements are fairly presented. Their report is presented on pages 20 and 21.

The annual financial statements for the year ended 31 March 2010 were approved by the Board on 13 July 2010 and are signed on its behalf by:



R COTTRELL  
CHAIRPERSON



**INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 31 MARCH 2010**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

We have audited the accompanying financial statements of the Accounting Standards Board, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 32.

**Accounting Authority's responsibility for the financial statements**

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act, No 1 of 1999, as amended (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Accounting Standards Board as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the PFMA.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of *General notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009*, we include below our findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

### **Findings**

#### **Predetermined objectives**

- No matters reported

#### **Compliance with laws and regulations**

- No matters reported

### **INTERNAL CONTROL**

We considered internal control relevant to our audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control.

- No matters reported

### **OTHER REPORTS**

- No matters reported

Xabiso Inc.

Xabiso Chartered Accountants Inc.  
Registered Auditors  
Chartered Accountant (SA)  
Per K Mditshane RA CA(SA): Director  
30 July 2010  
Johannesburg

# Annual Financial Statements

## Statement of Financial Position of the Accounting Standards Board as at 31 March 2010

	NOTE	2010 R	2009 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	1 109 107	1 355 543
Receivables from exchange transactions	3	1 057 933	1 214 702
		51 174	140 841
<b>Non-current assets</b>			
Property, plant and equipment	4	224 497	314 906
		224 497	314 906
<b>Total assets</b>		<b>1 333 604</b>	<b>1 670 449</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transaction	5	365 528	1 355 541
Unused funds to be surrendered to the National Revenue Fund	6	129 665	517 662
Employee benefit provision	7	126 227	743 577
		109 636	94 302
<b>Total liabilities</b>		<b>365 528</b>	<b>1 355 541</b>
<b>Total net assets</b>		<b>968 076</b>	<b>314 908</b>
<b>NET ASSETS</b>			
<b>Reserves</b>			
Accumulated surplus		968 076	314 908
<b>Net assets</b>		<b>968 076</b>	<b>314 908</b>

## Statement of changes in Net Assets for the year ended 31 March 2010

	Accumulated surplus R
Balance at 31 March 2008	417 604
Deficit for the year	(102 696)
Balance at March 2009	314 908
Surplus for the year	653 168
<b>Balance at March 2010</b>	<b>968 076</b>

# Annual Financial Statements

## Statement of Financial Performance as at 31 March 2010

	NOTE	2010 R	2009 R
<b>REVENUE</b>		<b>7 963 521</b>	<b>6 778 522</b>
<i>Non-exchange revenue</i>		7 859 350	6 667 422
- Transfer	9	7 859 350	6 667 422
<i>Exchange revenue</i>		104 171	111 100
- Interest		89 171	101 951
- Profit on disposal of assets		-	2 500
- Other income		15 000	6 649
<b>EXPENDITURE</b>		<b>7 310 353</b>	<b>6 881 218</b>
Employee benefits	10	4 900 350	4 315 856
Operating expenditure	11	2 252 745	2 410 932
Depreciation and impairment	12	157 258	154 430
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>653 168</b>	<b>(102 696)</b>

## Cash Flow Statement for the year ended 31 March 2010

	NOTE	2010 R	2009 R
<b>Cash flows from operating activities</b>			
<i>Cash receipts</i>		7 257 000	6 982 085
- Transfer	6	7 242 000	6 975 436
- Other		15 000	6 649
<i>Cash paid</i>		7 436 091	6 815 354
- Employees		5 226 206	4 234 676
- Suppliers and other		2 209 885	2 580 678
<b>Net cash flows from operating activities</b>	<b>14</b>	<b>(179 091)</b>	<b>166 731</b>
<b>Cash flows from investing activities</b>			
Interest received		89 171	101 951
Acquisition of property, plant and equipment		(70 834)	(51 733)
Proceeds on disposal of non current assets		3 985	2 500
<b>Net cash flows from investing activities</b>		<b>22 322</b>	<b>52 718</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>		<b>(156 769)</b>	<b>219 449</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1 214 702</b>	<b>995 253</b>
<b>Cash and cash equivalents at end of year</b>	<b>2</b>	<b>1 057 933</b>	<b>1 214 702</b>

# Annual Financial Statements

## Notes to the Annual Financial Statements for the year ended 31 March 2010

### 1. Accounting policies

The following are the principal accounting policies of the ASB which are, in all material respects, consistent with those applied in the previous year. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

#### Basis of preparation

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the ASB.

#### Presentation currency

All amounts have been presented in South African Rand, which is the functional currency of the ASB.

#### Financial instruments

##### Initial recognition and measurement

Financial instruments are initially recognised when the ASB becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below.

##### Receivables

Receivables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

##### Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Cash and cash equivalents comprise cash at bank and deposits held on call.

##### Payables

Payables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

##### Offsetting

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

##### Other receivables

Other receivables consist of prepaid expenses and deposits relating to the provision of electricity and the leasing of the premise. These receivables are stated at cost.

##### Interest income

Interest income is recognised on a time proportionate basis using the effective interest rate method.

##### Provisions

Provisions are recognised when the ASB has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. All the provisions of the ASB are short-term in nature and thus ignore the effect of discounting.

##### Employee benefits

###### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

###### Post-retirement employee benefits

The ASB operates a defined contribution plan for its employees and is not liable for any actuarial losses sustained by the fund.

Accordingly, no provision has been made for any such losses and contributions paid are expensed.

# Annual Financial Statements

## Transfer from the National Treasury

The transfer from the National Treasury is recognised when it is probable that future economic benefits will flow to the ASB and when the amount can be measured reliably. A transfer is recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

## Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The depreciable amounts of property, plant and equipment is allocated on systematic bases over their useful lives. Management expects to abandon the assets at the end of their useful lives and therefore the residual values are estimated to be zero. Useful lives and residual values are assessed on an annual basis.

The estimated useful lives of property, plant and equipment are currently as follows:

Office equipment	3 – 5 years
Furniture and fittings	6 years
Leasehold improvements	Amortised over the period of the lease.

Impairment losses are determined as the excess of the carrying amount of items of property, plant and equipment over the recoverable service amount and are charged to surplus or deficit.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefits or service potential of items of property, plant and equipment are expensed as incurred.

## Lease transactions

Rentals payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the lease.

## Services received in-kind

Services received in-kind consist primarily of technical assistance received by the ASB from Board members and project group members who are not remunerated. The ASB cannot reliably determine a fair value for this assistance, and as a result does not recognise the value of these services received in the Statement of Financial Performance.

## Effect of new Standards of GRAP issued

The following approved Standards of GRAP that are not yet effective are not likely to affect the annual financial statements when they are adopted as these Standards have been used to formulate and inform the current accounting policies and disclosures:

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

The adoption of GRAP 18 (not yet effective), Amendments to the Standards of GRAP and various Interpretations of the Standards of GRAP (effective from 1 April 2011) will not have a significant effect on the financial statements.

# Annual Financial Statements

## 2. Cash and cash equivalents

	NOTE	2010 R	2009 R
<i>Cash and cash equivalents comprise the following:</i>			
Deposit held in market-linked account		944 189	812 424
Cash at bank		113 346	402 216
Petty cash		398	62
Financial assets	18	<b>1 057 933</b>	<b>1 214 702</b>

## 3. Receivables from exchange transactions

	NOTE	2010 R	2009 R
Financial assets	18	3 989	1 818
- Receivable at amortised cost		3 989	1 818
Other receivables		47 185	139 023
- Deposits		47 185	47 185
- Prepayments		-	91 838
		<b>51 174</b>	<b>140 841</b>

See note 18 on financial instruments on how risk is managed in relation to the financial assets listed above.

## 4. Property, plant and equipment

	Office equipment R	Furniture and fittings R	Leasehold improvements R	Total R
<b>Year ended 31 March 2010</b>				
Opening balance	136 632	148 234	30 040	314 906
- Additions	63 439	7 395	-	70 834
- Disposals	(16 159)	-	-	(16 159)
- Depreciation	(67 265)	(60 322)	(29 661)	(157 258)
- Depreciation on disposed assets	12 174	-	-	12 174
Closing balance	128 821	95 297	379	224 497
Gross carrying amount	420 205	422 620	148 699	991 524
Accumulated depreciation and impairment	(291 384)	(327 323)	(148 320)	(767 027)
<b>Year ended 31 March 2009</b>				
Opening balance	145 182	212 561	59 861	417 604
- Additions	51 733	-	-	51 733
- Disposals	(16 660)	-	-	(16 660)
- Depreciation	(60 282)	(64 327)	(29 821)	(154 430)
- Depreciation on disposed assets	16 659	-	-	16 659
Closing balance	136 632	148 234	30 040	314 906
Gross carrying amount	372 925	415 224	148 699	936 847
Accumulated depreciation and impairment	(236 293)	(266 990)	(118 659)	(621 941)

Assets to the value of R481 890 (2009: R129 570) have been fully depreciated, but are still in use.

# Annual Financial Statements

## 5. Payables from exchange transactions

	NOTE	2010 R	2009 R
<i>Financial liabilities</i>	18	129 665	424 578
Payables at amortised cost		63 882	-
Accruals for goods and services		13 791	31 396
Payroll related accruals		51 992	393 182
Other payables		-	93 084
Straight lining of operating leases		-	93 084
		<b>129 665</b>	<b>517 662</b>

See note 18 on financial instruments on how risk is managed in relation to the financial liabilities listed above.

## 6. Unused funds to be surrendered to the National Revenue Fund

	NOTE	2010 R	2009 R
<i>Opening balance</i>		743 577	435 564
Roll-over funds recognised as revenue	9	(743 577)	-
Net transfer received		7 242 000	6 975 436
Received as revenue		7 242 000	7 411 000
Unused amount surrendered		-	(435 564)
Transfer used during the year	9	(7 115 773)	(6 667 423)
<i>Closing balance</i>		<b>126 227</b>	<b>743 577</b>

In accordance with section 53(3) of the PFMA, of 1999, as amended, the unused transfer cannot be retained without prior written approval from the National Treasury. Written approval was obtained for the previous year's surplus to be retained (see note 8).

## 7. Employee benefit provision

	2010 R	2009 R
Leave pay provision		
Opening balance	94 302	166 101
Additional provision	354 393	304 872
Leave paid out	(14 684)	(267 159)
Amounts utilised during the year	(334 324)	(107 745)
Change in estimate	9 950	(1 767)
Closing balance	<b>109 637</b>	<b>94 302</b>

In terms of the ASB's leave pay policy, employees are entitled to accumulated vested leave pay benefits not taken within a leave cycle, provided that any leave pay benefits not taken within a period of one year after the end of a leave cycle are forfeited.

# Annual Financial Statements

## 8. Accumulated surplus

Approval has been received from the National Treasury to retain R743 577 being the amount not utilised for the 2008/09 financial year.

## 9. Transfers recognised

	2010	2009
	R	R
Operating expenses	7 310 353	6 881 218
Depreciation and impairment	(157 258)	(154 430)
Purchase of property, plant and equipment	70 834	51 733
Proceeds on disposal of property, plant and equipment	(3 985)	(2 500)
Interest income	(89 171)	(101 951)
Other income	(15 000)	(6 648)
Amount used during the year	7 115 773	6 667 422
Roll-over funds recognised as revenue	743 577	-
Amount recognised	<b>7 859 350</b>	<b>6 667 422</b>

## 10. Employee benefit costs

	2010	2009
	R	R
Basic salaries	4 890 906	4 306 737
Contributions to the UIF	9 444	9 119
	<b>4 900 350</b>	<b>4 315 856</b>

## 11. Other operating expenditure

	2010	2009
	R	R
Auditor's remunerations	67 515	63 056

## 12. Depreciation and impairment

	2010	2009
	R	R
<i>Depreciation</i>		
Office equipment	67 265	60 282
Furniture and fittings	60 332	64 327
Leasehold improvements	29 661	29 821
	<b>157 258</b>	<b>154 430</b>

## 13. Taxation

The ASB is exempt from income tax as more than 80% of its expenditure is defrayed from funds voted by Parliament. The ASB is exempted from the payment of Value Added Tax (VAT) on the transfer received. As a result, any VAT paid by the ASB is also not refundable by SARS.

# Annual Financial Statements

## 14. Net cash from operating activities

	NOTE	2010 R	2009 R
Surplus/(deficit) for the year		653 168	(102 696)
Adjusted for non cash items		83 421	(21 820)
- Depreciation and impairment	12	157 258	154 430
- Decrease in provisions	7	15 334	(71 799)
- Interest income		(89 171)	(101 951)
- Profit on disposal of property, plant and equipment		-	(2 500)
Working capital changes		(915 680)	291 247
- Decrease in receivables	3	89 667	16 883
- (Decrease) in payables	5	(387 997)	(33 650)
- (Decrease)/increase in unused transfer	6	(617 350)	308 014
Cash flows from operating activities		<b>(179 091)</b>	<b>166 731</b>

## 15. Operating lease arrangements

	2010 R	2009 R
At the reporting date, the ASB had outstanding commitments under a non-cancellable operating lease, which fall due as follows:		
Office building and parking	2 404 726	389 381
Due within one year	409 901	389 381
Due within 1 – 5 years	1 994 825	-

The ASB entered into a 5 year lease agreement, which commenced on 1 April 2010 and terminates on 31 March 2015, and provides for an escalation of rental of 8% per annum. The previous lease agreement terminated on 31 March 2010.

## 16. Related party transactions

	2010 R	2009 R
<b>16.1 Key management personnel</b>		
<b>Chief Executive Officer's remuneration:</b>		
- Basic salary	969 140	884 000
- Performance bonus	207 152	190 000
- Travel allowance	131 500	116 000
- UIF contributions	1 497	1 497
	<b>1 309 289</b>	<b>1 191 497</b>
Leave paid out	-	76 258

The Board appointed the Chief Executive Officer, Ms Swart, on 1 March 2003. Her performance bonus is subject to an annual performance evaluation.

# Annual Financial Statements

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>Chairperson fee</b>		
- Chairperson fee	94 325	87 103
- Board meetings	78 282	109 477
- Management Committee meetings	17 541	21 481
- Project group and other	3 124	2 829
	<b>193 272</b>	<b>220 890</b>
<b>Other board members</b>		
- Board meetings	214 806	308 783
- Management committee meetings	30 525	39 123
- Project group and other	13 789	23 527
	<b>259 120</b>	<b>371 433</b>
	<b>452 392</b>	<b>592 323</b>

Some board members are not remunerated

#### **Average number of members**

- Board	9	9
- Management Committee	4	4

#### **16.2 Other related parties**

The National Treasury acts on behalf of the Minister of Finance as Executive Authority and has the responsibility to make provision for funding the activities of the ASB by way of a grant listed in the Estimates of National Expenditure (see note 7). The ASB also receives Audit Committee and internal audit services that are paid by the National Treasury.

By virtue of the fact that the ASB is a national public entity and controlled by the national government any other controlled entity of the national government is a related party. All transactions with such entities are at arm's length and on normal commercial terms, except where employees of national departments or national public entities participate in the ASB's processes and do not receive any remuneration.

#### **17. Services received in-kind**

The ASB does not fully compensate Board or Management Committee members for the preparation required for meetings. Most members of project groups are also not remunerated for either attendance or preparation time. No value has been assigned to these services and, accordingly, no amount has been recognised in the Statement of Financial Performance.

# Annual Financial Statements

## 18. Financial instruments

Financial instruments consist of receivables, cash and cash equivalents and payables. All financial assets are categorised as loans and receivables at amortised costs and all financial liabilities as financial liabilities at amortised cost. The total carrying values of the various categories of financial assets and financial liabilities at the reporting date as follows:

	NOTE	2010 R	2009 R
Loans and receivables at amortised cost		1 061 922	1 216 520
Cash and cash equivalents	2	1 057 933	1 214 702
- Receivable from exchange transactions	3	3 989	1 818
Financial liabilities at amortised cost		129 665	424 578
- Payables from exchange transactions	5	129 665	424 578

### Credit risk

#### Receivables

The receivables are exposed to a low credit risk and no amounts are overdue.

#### Cash and cash equivalents

Cash and deposits are held with an AA rated registered banking institution and are regarded as having insignificant credit risk.

### Liquidity risk

#### Trade payables

The board is only exposed to liquidity risk with regards to the payment of its trade payables. These trade payables are all due within the short-term. The ASB manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

### Interest rate risk

#### Receivables

The receivables are exposed to an insignificant amount of interest rate risk.

#### Cash and cash equivalents

Cash in the savings account is kept at a maximum in order to maximise interest earned on any cash.

The ASB has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuate in line with movements in current money market rates.

If the interest rates received on the money market account increased or decreased by 100 basis points, the effect on the Statement of Financial Performance would be as follows:

	2010 R	2009 R
Effect of a 100 basis point increase in interest rates	10 579	12 147
Decrease in surplus/(deficit) reported for the year		
Effect of a 100 basis point decrease in interest rates	(10 579)	(12 147)
Increase in surplus/(deficit) reported for the year		

# Annual Financial Statements

## 19. Comparison of results with the approved budget

	Actual	Budget	Variances
		R	R
<b>2010</b>			
Revenue	7 963 521	7 337 000	626 521
Transfer	7 859 350	7 242 000	617 350
Interest	89 171	80 000	9 171
Other income	15 000	15 000	-
Less: Operating expenses	7 153 095	7 250 487	(97 392)
Local meetings	632 509	794 602	(171 093)
International meetings	655 532	687 757	(32 225)
Employee benefit costs	4 900 350	4 823 300	77 050
Training	129 755	57 000	72 755
Communication and marketing	132 152	170 499	(388 347)
Establishment costs	375 167	391 495	(16 328)
Other administration	336 630	325 834	10 796
Surplus for the year before depreciation and impairment	810 426	86 513	723 913
Less: Depreciation and impairment	157 258	155 671	1 587
Surplus for the year	653 168	69 158	722 326
	<b>Actual</b>	<b>Budget</b>	<b>Variances</b>
		R	R
<b>2009</b>			
Revenue	6 778 522	7 516 000	((737 478)
Transfer	6 667 422	7 411 000	(743 578)
Interest	101 951	90 000	11 951
Other income	9 149	15 000	(5 851)
Less: Operating expenses	6 726 788	7 516 000	(789 212)
Local meetings	803 342	882 335	(78 993)
International meetings	431 157	512 106	(80 949)
Employee benefit costs	4 315 856	4 844 837	(528 981)
Training	354 374	360 237	(5 863)
Communication and marketing	96 454	160 908	(64 454)
Establishment costs	412 825	448 894	(36 069)
Other administration	312 780	306 683	6 097
Surplus for the year before depreciation and impairment	51 734	-	51 734
Less: Depreciation and impairment	154 430	168 000	(13 570)
(Deficit) for the year	(102 696)	(168 000)	65 304

The budget was approved by the Board and submitted to the executive authority in terms of section 53(1) of the PFMA.

Savings arose from the reduction of planned Board meetings from five to four and a similar reduction in Management Committee meetings. Some of the savings were used to fund the increase in meetings with stakeholders.

Savings were made on international expenditure by not using the most direct route, but by using stopovers.

The estimate for performance bonuses was reduced to 16% of salaries. The actual performance bonuses were 19% of salaries.

The Board considered that the budgeted amount for training was inadequate and utilised savings on other items to fund actual expenditure on training.

An increase in expenditure on maintenance demonstrates the ageing equipment of the ASB with assets to the value of R481 890 (2009: R129 570) having been fully depreciated, but are still in use.





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RP 206/2010  
ISBN: 978-0-620-48073-4



# Annual Report

Financial Year 2009 - 2010

