



Annual Report

The ASB's Mandate

The principal functions of the Board in terms of section 89 of the PFMA are to:

- Set Standards of Generally Recognised Accounting Practice (GRAP) for the financial statements of institutions in all spheres of government;
- Prepare and publish directives, guidelines and interpretations concerning the Standards of GRAP;
- Recommend to the Minister effective dates of implementation of these Standards of GRAP for the different categories of institutions to which these Standards of GRAP apply;
- Perform any other function incidental to advancing financial reporting in the public sector;
- Take into account all relevant factors in setting Standards of GRAP;
- Set different Standards of GRAP where necessary for different categories of institutions to which these Standards of GRAP apply; and
- Promote accountability, transparency, and effective management of revenue, expenditure, assets and liabilities of the institutions to which these Standards of GRAP apply.

Vision

To develop Accounting Standards that enhance financial reporting by all spheres of the Public Sector.

Mission

We achieve this through focused and targeted stakeholder interaction and the provision of relevant and implementable Accounting Standards.

Supporting Values:

As the standard-setter, the ASB acknowledges the responsibility assigned to it by Parliament. Members of staff ascribe to the following values:

- Independence, integrity and objectivity
Standards of GRAP must be set - independently from stakeholders - in the public interest. We must be seen to be independent through our actions and behaviour. We must act with integrity and objectivity in our deliberations, decisions and actions.
- Transparency and accountability
Standards of GRAP should lead to increased transparency in financial reporting, enabling stakeholders to hold the accounting officer or accounting authorities accountable for revenue, expenditure, assets and liabilities under their control.

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The Board

There is a maximum of ten Board members, of which nine appointments have been made by the Minister. Board members are independent and non-executive, appointed in their individual capacity and not as representatives of any organisation. Members are appointed to ensure that the Board has an appropriate balance of competencies and experience to meet its objectives. Members currently serving on the Board are:

Rick Cottrell (age 75)

Chairperson of the Board and MANCO
Appointed February 2002, reappointed January 2009
Company director and consultant

Ignatius Sehoole (age 51)

Deputy Chairperson
Appointed February 2002, reappointed January 2009
Vice President Southern and East African Region: MTN

Kim Bromfield (age 37)

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

Vuyo Jack (age 34)

MANCO member, chairperson of the Audit Committee
Appointed February 2007
Chief Executive Officer: Empowerdex

Cheryl-Jane Kujenga (age 32)

MANCO member
Appointed January 2009
Audit partner: Ernst & Young

Krish Kumar (age 49)

Appointed January 2009
Deputy City Manager: EThekweni

Kimi Makwetu (age 45)

Appointed March 2008
Deputy Auditor-General

Freeman Nomvalo (age 45)

Appointed February 2007
Accountant-General

Geo Paul (age 49)

Appointed January 2009
Accountant-General: North West Province

Report of the Chairman of the ASB

While the last year saw some recovery from the global financial crisis, its impact continues to be felt around the world. The public sector has not escaped unscathed. Credit rating agencies have re-rated sovereign debt and the role of public sector financial reporting is increasingly in the spotlight.

The ASB recognises the importance of ensuring that the Standards of GRAP are relevant. Accordingly, one of the first documents issued by the ASB was the conceptual framework for financial reporting in the public sector. The international public sector Standard-setter has now initiated a project to draft a conceptual framework. The project aims to create a framework for public sector reporting which satisfies the requirements of users and ensures accountability. When the international document is finalised, the ASB will update its own framework to harmonise with the international version.

Our role is to ensure that an appropriate Standard of GRAP exists for each material item in the financial statements of entities in the public sector. Even though the core set of standards have now been completed, gaps still exist. Current Standards issued by the Board, but not yet approved for implementation, are the Standards on Employee Benefits and Financial Instruments – both addressing critical components of financial reporting by entities in the public sector. We are also participating through our membership of IPSASB in an international project on reporting on fiscal sustainability of current government programmes.

Now that a large number of entities have commenced implementing our Standards, it is an opportune time to assess the appropriateness of the processes we use to develop Standards. This review includes the consultation process. Valuable comment has been received from attendees and participants in workshops, seminars and roundtable discussions.

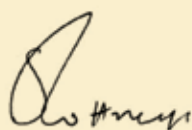
Oral comment received at workshops is increasingly becoming a key source of consultation. However, we continue to encourage respondents to provide written comment on documents issued for consultation.

The Board held five meetings during the year, with each meeting considering a number of technical documents. We have met the targets contained in the work programme we set for ourselves.

My thanks are therefore due to:

- The Board members for their commitment to meeting the demands made on them.
- The Secretariat for its hard work in providing the support to the Board, at the same time fulfilling all the national and international commitments of the ASB.
- Members of project working groups for their contribution to the development of our Standards.
- Attendees and participants at workshops, seminars and roundtables for their interest in and contribution to the development of our Standards.

The Accountant-General and Auditor-General and their staff have greatly assisted the work of the Board and the Secretariat and their co-operation is acknowledged with thanks.



RG COTTRELL
CHAIRPERSON
26 July 2011

Chief Executive Officer's Review

The strategy of the ASB is to develop Standards of GRAP that address all material items in the financial statements of the public sector. The approach adopted has two prongs, the one to influence international public sector standard setting that will form the basis of Standards of GRAP, the other to ensure that locally developed Standards of GRAP meet the needs of our stakeholders.

Implementation is the responsibility of the Office of the Accountant-General (OAG). We work closely with the OAG and the Auditor-General of South Africa (AGSA) to identify implementation difficulties and to find solutions.

My report summarises the more important outputs and activities over the last financial year.

Standards of GRAP approved for implementation

The Minister of Finance approved the following Standards of GRAP for implementation:

- GRAP 21 Impairment of Non-cash-generating Assets;
- GRAP 23 Revenue from Non-exchange Transactions;
- GRAP 24 Presentation of Budget Information in Financial Statements;
- GRAP 26 Impairment of Cash-generating Assets;
- GRAP 103 Heritage Assets.

The Minister of Finance also agreed that Parliament and the provincial legislatures could apply Standards of GRAP (where permitted by their own financial management legislation).

Standards of GRAP issued by the Board

The Board approved the following Standards of GRAP for issue:

- GRAP 18 Segment Reporting;
- GRAP 20 Related Party Disclosures;
- GRAP 105 Transfer of Functions Between Entities Under Common Control;
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control; and
- GRAP 107 Mergers.

Initiatives to influence the development of international public sector standard setting

My second and final term on the International Public Sector Accounting Standards Board (IPSASB) came to an end in December 2010. South Africa was re-appointed as one of the 15 members. Mrs Jeanine Poggiolini, one of the ASB's staff members, was appointed as the new member, and Mrs Lindy Bodewig, a chief director in the National Treasury, will continue as her technical advisor. We value our participation on IPSASB and the opportunity to influence international developments in standard setting.

To enable us to provide informed comment on international standards, we publish international Exposure Drafts concurrently with IPSASB. The following documents were published concurrently:

- Consultation Paper on the Reporting on the Long Term Sustainability of Public Finances;
- ED on Service Concession Arrangements: Grantor;
- ED on Part 1 of Conceptual Framework;
- Consultation Paper on Part 2 of the Conceptual Framework; and
- Consultation Paper on Part 3 of the Conceptual Framework.

The Chairman, Mr R G Cottrell, was appointed as a member of the International Conceptual Framework Advisory Panel.

When the Standard on Service Concession Arrangements: Grantor is finalised internationally, we shall consider it for issue as a local Standard of GRAP and revise and re-issue the guideline on accounting for Public-Private Partnerships.

Local initiatives and progress in relation to the work programme

The ASB has spent a significant amount of time on the development of Standards of GRAP that address changes in the structure of the public sector, either by the acquisition of new activities from outside the public sector, or the reorganisation of existing functions within the public sector and finally the reorganisation of municipalities. The ASB published Exposure Drafts on Transfers of Functions

Chief Executive Officer's Review

between Entities Under Common Control, Transfer of Functions between Entities not Under Common Control, and Mergers. The Board considered the comment received during the consultation process and approved the three new Standards of GRAP for issue. In completing the project, the ASB has demonstrated its readiness to take the lead in filling gaps in standard setting, both locally and internationally. IPSASB has revised their project plan in line with the approach adopted by South Africa.

The ASB revised GRAP 18 on *Segment Reporting* to take into account international developments and to respond to concerns that implementation of GRAP 18 would require expensive changes to systems to enable preparers to comply. The Board approved the revised Standard in February 2011. The revised Standard does not require any changes to systems as it requires preparers to use the information prepared for management.

The ASB also issued a Standard of GRAP on *Related Party Disclosures*. In developing the Standard the ASB considered changes made by the International Accounting Standards Board to its equivalent standard and the standard issued by the IPSASB. Consideration was also given to definitions contained in local legislation.

The ASB issued two discussion papers:

- DP5 Comparison of the Standards of GRAP to the IFRS for SMEs, and
- DP6 Due process for the development of Standards of GRAP.

The objectives of DP 5 are to identify whether differential reporting should be considered in developing reporting frameworks for the public sector and whether there are lessons to be learnt in IFRS for SMEs that could reduce the complexity of some of the Standards of GRAP with reference to recognition, measurement and disclosure. The results of the consultation process will influence the work programme of the ASB in 2011/12.

The objectives of DP 6 were to consult stakeholders on the process followed by the ASB in setting Standards. The Board believed that we could learn some lessons from those entities that are implementing the Standards of GRAP and that eight years after the establishment of the ASB it was timely to re-assess the adequacy of our processes. We received valuable comment and, as a result, the Board approved the publication of an Exposure Draft proposing amendments to the Preface to the Standards of GRAP.

The ASB issued a Glossary of Terms for use with Standards of GRAP, reviewed a number of accounting guidelines issued by the National Treasury to assist preparers with the implementation of Standards of GRAP, revised the Reporting Framework for entities complying with Standards of GRAP and developed transitional provisions for the newly issued Standards of GRAP.

Communication and outreach

The ASB continued its programme to reach out to stakeholders and to consult widely on documents issued. A report on some of these initiatives is published on pages 6 to 7. The Board has also re-designed its website to provide information to users in a more accessible manner.

Operational review

The ASB is financed by a transfer payment from the National Treasury. National Treasury requirements meant we had to cut expenditure where possible as our transfer payment did not increase at the same rate as our expenditure.

The ASB operated within its approved budget. This included an amount of R 569 615 brought forward as a surplus from the 2008/09 financial year to fund the deficit. An amount of R192 698 carried over from that same period is available for use in the 2011/12 financial year.

The resources of the ASB are increasingly strained and the loss of a member of staff will result in a curtailment of output and activities. A recently qualified accountant is being recruited to supplement existing resources and cushion any potential loss in skills and capacity.

Acknowledgements

I thank the Board for their wise counsel and my team in shouldering increased responsibilities that made the achievements in the past year possible.



EL SWART
CHIEF EXECUTIVE OFFICER

Communication with stakeholders

Comments from stakeholders on the Standards of GRAP developed by the ASB are critical in developing appropriate Accounting Standards for the South African public sector. Every year, the ASB aims to improve its engagement with stakeholders and increase its outreach. While the outreach activities continue to grow, we need to focus on reaching all nine provinces. At present, the ASB has limited, or no interactions, in Limpopo, Mpumalanga, North West and the Northern Cape. With the assistance of specific organisations, we hope to extend our outreach to these provinces in the next reporting period.

We would like to take this opportunity to thank those stakeholders who have assisted in facilitating discussions within their various organisations and provinces, and for the valuable feedback provided at those sessions.

Audience	Topic	Region
Roundtable discussions on Exposure Drafts		
Finance practitioners, auditors, preparers	Long-term fiscal sustainability	Gauteng
Finance practitioners, auditors, preparers	Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs	Gauteng
SAICA Siyenza Manje project team	Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs	Gauteng
Focused stakeholder discussions		
City of Cape Town	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Implementation issues – application of GRAP during 2009/10 reporting period 	Western Cape
Ducharme Consulting	Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs	Western Cape
CFO Forum - Parliament and the provincial legislatures	Adoption of Standards of GRAP, including discussions on transitional provisions and the reporting framework	Western Cape
	High level overview of Standards of GRAP, with a view to developing the reporting framework and transitional provisions for legislatures	KwaZulu-Natal
Speakers' Forum	Adoption of Standards of GRAP, including discussions on transitional provisions and the reporting framework	Eastern Cape
Secretaries of Parliament	Adoption of Standards of GRAP	KwaZulu-Natal
Presentations on Exposure Drafts		
National CFO Forum	Transfers of functions and mergers	Gauteng
	Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs and Discussion Paper 6 – Due Process for the Development of Standards of GRAP	Gauteng
National Treasury (Office of the Accountant-General)	Transfers of functions and mergers	Gauteng
	Segment reporting	Gauteng
	IPSASB's Conceptual Framework	Gauteng
IMFO (Standard Committee on Accounting Practices)	Transfers of functions and mergers	Gauteng

Communication with stakeholders

IMFO	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Segment reporting 	Gauteng
	Related party disclosures	
	Transfers of functions and mergers; related party disclosures	Gauteng
	Transfers of functions and mergers; related party disclosures	Free State
	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Segment reporting • Related party disclosures 	KwaZulu-Natal
Provincial CFO Forum	Transfers of functions and mergers	Western Cape
Officials of provincial government	Transfers of functions and mergers; related party disclosures	North West
	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Segment reporting • Related party disclosures 	Western Cape
	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Segment reporting • Related party disclosures 	Free State
Public Entity Forum	Transfers of functions and mergers	Free State
SAICA	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Discussion Paper 6 – Due Process for the Development of Standards of GRAP 	KwaZulu-Natal
	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Discussion Paper 6 – Due Process for the Development of Standards of GRAP 	Western Cape
SALGA	<ul style="list-style-type: none"> • Discussion Paper 5 – Comparison of the Standards of GRAP to the IFRS for SMEs • Discussion Paper 6 – Due Process for the Development of Standards of GRAP • Segment reporting • Related party disclosures 	Free State
Raising awareness of ASB's activities		
IMFO	<ul style="list-style-type: none"> • Directives 4, 5 and 7 • Improvements to the Standards of GRAP, overview of transfers of functions 	Gauteng
	<ul style="list-style-type: none"> • Directives 4, 5 and 7 • Issues arising from the 2008/09 audit cycle 	Western Cape
Officials of provincial government	<ul style="list-style-type: none"> • Update of the activities of the ASB • Adoption of GRAP 17, and issues arising from the adoption of GRAP 17 during the 2008/09 audit cycle 	Western Cape
PAG Forum	Update of the activities of the ASB	Gauteng
SALGA	Objectives of Standards of GRAP in relation to accounting for property, plant and equipment	KwaZulu-Natal
National Public Entity CFO Forum	GRAP Reporting Framework for 2010/11	Gauteng

Participation in ASB's project groups

We acknowledge the contributions to project group deliberations by the following persons:

Project group					
Name	Organisation	Segment reporting	Related party disclosures	Comparison of the Standards of GRAP to the IFRS for SMEs	Transfers of functions and mergers
Z Beseti	KPMG		X	X	1/3
L Bodewig	National Treasury			X	
C Braxton	PwC	X			1/3
E Calvillo	Deloitte	X			
A Colyvas	Ernst & Young		X		1/3
B Colyvas	W Consulting		X		
	Protect-A-Partner				1/3
D de Lange	Cacadu Municipality			X	
C du Plooy	Ekurhuleni	X			
A Escott	Deloitte		X		
P Kabuya	World Bank			X	
I Kotze	IMFO	X			3/3
R Kriel	SAPS		X		1/3
C Limekaya	KPMG				2/3
M Lorgat	SAICA				2/3
M Mahadeo	Ernst & Young	X	X	X	1/3
D Matthee	City of Johannesburg	X	X		
M Mentz	AGSA		X		1/3
V Ntsodo	AGSA			X	
Y Omar	MQA		X		
K Pillay	NCR		X		
E Pratt	KPMG	X	X	X	
AE Prakke	AE Prakke & Co		X		
I Ramdas	City of Johannesburg	X			
T Ramonotse	City of Johannesburg		X		
R Rautenbach	Sifuna Consulting		X		
J Schoeman	BDO South Africa				
M Sehlapelo	National Treasury		X		
D Valentine	City of Cape Town		X		
L Venter	Deloitte				3/3
J Wagener	National Treasury				3/3

Governance

The ASB's governance structures support its strategy. In line with the King Report on Corporate Governance, the Board has adopted the comply or explain principle.

The primary function of the Board is to approve discussion papers, Exposure Drafts, Standards of GRAP, directives, guidelines and Interpretations of Standards of GRAP. The Board is also the accounting authority and is responsible for governance of the ASB as a public entity. In this capacity it approves the policies of the ASB, all of which have been implemented.

Certain of the Board's functions have been delegated to the Management Committee (MANCO). MANCO currently consists of the chairperson and three Board members.

Functions that the Board have delegated to MANCO 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 which cover the financial reporting and performance against the approved budget;
- Monitoring compliance with the delegation of authorities to the CEO;
- Recommending policies and strategies to the Board, monitoring their implementation and ongoing compliance;
- Considering internal and external audit findings and the action taken;
- Prioritising projects on the work programme and monitoring the Secretariat's performance against that programme; and
- Considering remuneration and incentive awards for staff, recommending their approval to the Board and overseeing compliance with Human Resource policies.

To assist with the discharge of its responsibilities, a Nominations Committee was established during the year to review the process followed in identifying potential Board candidates and review the nominations received in order to make a submission to the Minister to fill the vacancies on the Board.

Remuneration of Board members

The Minister of Finance determines the remuneration payable to Board members. Employees of National and Provincial Government and agencies, entities or organs of State are not remunerated. Actual expenses incurred by Board members to attend meetings are refunded.

Remuneration received by Board members during the year under review was as follows:

Members	Board		Management committee		Project and Ad Hoc		Chair-person	Total 2011	Total 2010
	Meeting attendance	Fees R	Meeting attendance	Fees R	Meeting attendance	Fees R	Fees R	R	R
Paid to members:									
R Cottrell	5 of 5	106 752	5 of 5	32 444	n/a	-	103 086	242 282	193 272
K Kumar	4 of 5	50 056	n/a	-	3 of 3	13 700		63 756	48 215
Paid to employer:									
K Bromfield	5 of 5	71 114	5 of 5	23 696	1 of 1	4 685		99 495	63 877
V Jack	5 of 5	71 114	3 of 5	14 043	n/a	-		85 158	61 056
C Kujenga	4 of 5	56 203	5 of 5	23 696	1 of 1	3 124		83 023	47 886
I Sehoole	2 of 5	28 101	n/a	-	n/a	-		28 101	38 086
Not remunerated:									
K Makwetu	1 of 5	-	n/a	-	n/a	-		-	-
F Nomvalo	1 of 5	-	n/a	-	n/a	-		-	-
G Paul	3 of 5	-	n/a	-	n/a	-		-	-
Grand total		383 340		93 879		21 509	103 086	601 815	452 392

Governance

Audit committee

The Board's Audit Committee, shared with the National Treasury, is chaired by one of its Board members, Vuyo Jack. The Audit Committee is responsible, amongst others, for reviewing the effectiveness of the internal control and the internal audit function, and for reviewing the risks associated with the ASB's operations that should be covered in the scope of work undertaken by internal and external audit.

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 MANCO 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 given due consideration to compliance with the applicable laws and regulations which relate to its activities. Processes have been established and implemented to ensure such compliance.

Internal audit

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

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

External audit

SAB&T were appointed as external auditors of the ASB. No non-audit services were provided by the external auditors. Their report is set out on page 20 and 21.

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 MANCO. The ASB has developed and implemented policies relating to the appointment, evaluation and development of professional staff.

The ASB's philosophy is to remunerate staff at market-related levels. It benchmarks its remuneration policies against the market and, in particular, against both public sector entities and the private sector who employ similar staff.

All the positions in the ASB have been graded using the Patterson scale of grading. The grading is sufficiently flexible to determine pay scales for each grade, being broad enough to allow flexibility in remuneration.

Remuneration is based on total cost to the ASB, which includes contributions to medical aids, pension funds and retirement annuity funds. Salary increases are determined by work performance, growth in the job profile and an annual cost of living adjustment.

All employees participate in an incentive scheme, which is based partly on individual performance and partly on an evaluation by MANCO of whether or not the ASB has achieved its pre-determined objectives. In 2011 incentives range from 8-20% of total cost to the ASB, in accordance with the evaluation made by MANCO.

The Chairperson evaluates the Chief Executive's performance and MANCO oversees the performance reviews and remuneration of the other staff members of the ASB.

Governance

Employment equity

The ASB supports employment equity in the workplace.

	Male	Female	Total	Black	White	Indian	Coloured	Total
Board	7	2	9	5	2	2	0	9
Professional staff	0	3	3	0	3	0	0	3
Support staff	0	3	3	1	0	0	2	3

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 MANCO. Regular feedback is given by the CEO to MANCO 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 MANCO 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.

Compliance with the King Report on Corporate Governance

We have not issued an integrated report as we are in the process of integrating our strategy with the current processes. Most elements of an integrated report have been provided as separate reports.

The composition of the Board and the Audit Committee is determined by legislation. Accordingly, we are not necessarily able to comply with the requirements of the King Report on Corporate Governance in this regard.

Reporting on performance

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

Action	Targeted outcome	Actual outcome for 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 EDs 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>Exposure Drafts:</p> <p>The following EDs were included on the 2010/11 work plan for publication:</p> <ul style="list-style-type: none"> • Related Party Disclosures; • Service Concession arrangements; • Transfer of Functions; • Mergers; • Entity Combinations; • Segment Reporting; • Re-exposure: Agriculture; and • Re-exposure: Intangible Assets. <p>Standards of GRAP:</p> <p>The following Standards of GRAP to be issued were included on the 2010/11 work plan:</p> <ul style="list-style-type: none"> • Related Party Disclosures; • Segment Reporting (revised); • Transfer of Functions and Mergers; • Entity Combinations; • Agriculture (revised); and • Intangible Assets (revised). 	<p>Exposure Drafts:</p> <p>The following EDs were issued for publication:</p> <ul style="list-style-type: none"> • Transfer of Functions Under Common Control and Mergers (ED 75); • Entity combinations (ED 77 Transfer of Functions Not Under Common Control); • Segment Reporting (revised) (ED 78); and • Related Party Disclosures (ED 79). <p>Other EDs issued:</p> <ul style="list-style-type: none"> • Amendments to GRAP 6, 7 and 8 (ED 76). <p>Standards of GRAP:</p> <p>The following Standards of GRAP were approved as final GRAPs:</p> <ul style="list-style-type: none"> • Segment Reporting (revised); • Transfer of functions Under Common Control and Mergers (GRAP 105 and 107); and • Entity combinations (GRAP 106 Transfer of Functions Not Under Common Control). <p>Other Standards of GRAP issued:</p> <ul style="list-style-type: none"> • Amendments to GRAP 6, 7 and 8. <p>Other pronouncements issued:</p> <ul style="list-style-type: none"> • Update Glossary of Defined Terms for publication on website. 	<p>Exposure Drafts:</p> <ul style="list-style-type: none"> • Service Concession Arrangements: IPSASB has not finalised its Standard on service concession arrangements. ASB will commence work on the local ED once the international process is complete. • Re-exposure Agriculture: IPSASB approved the final IPSAS in December 2009. Any amendments to GRAP 101 will form part of the 2011 Improvements to the Standards of GRAP. • Re-exposure Intangible Assets: IPSASB approved the final IPSAS in January 2010. Any amendments to GRAP 102 will form part of the 2011 Improvements to the Standards of GRAP. <p>Other EDs issued:</p> <ul style="list-style-type: none"> • Amendments to GRAP 6, 7 and 8 – incorporated IASB and IPSASB improvements and a consistency review of GRAP 6, 7 & 8. <p>Standards of GRAP:</p> <ul style="list-style-type: none"> • Related Party Disclosures: comment period closed at the end of January 2011 and the final Standard will be considered at the May 2011 meeting. • Agriculture (revised): see comment on ED above. • Intangible Assets (revised): see comment on ED above.

Reporting on performance

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

Action	Targeted outcome	Actual outcome for year	Reason for deviation
	<p>Local Discussion Papers:</p> <p>DPs to be issued as per 2010/11 work plan:</p> <ul style="list-style-type: none"> • Comparison between IFRS for SMEs and GRAPs, and • Due Process. <p>IPSASB EDs:</p> <p>IPSASB EDs to be issued concurrently with IPSASB during 2010/11:</p> <ul style="list-style-type: none"> • Service Concession Arrangements: Grantor. <p>IPSASB Consultation Papers:</p> <p>CPs to be issued concurrently with IPSASB during 2010/11:</p> <ul style="list-style-type: none"> • Conceptual framework (Phases II and III). 	<p>Local Discussion Papers:</p> <p>The following DP's were issued:</p> <ul style="list-style-type: none"> • DP 5 – Comparison between IFRS for SMEs and GRAPs, and • DP 6 – Due Process for the development of Standards of GRAP. <p>IPSASB EDs:</p> <p>The following IPSAS ED was issued concurrently during 2010/11:</p> <ul style="list-style-type: none"> • ED 71: Service Concession Arrangements: Grantor. <p>IPSASB Consultation Papers:</p> <p>EDs and CPs to be issued concurrently with IPSASB during 2010/11:</p> <ul style="list-style-type: none"> • Conceptual framework Exposure Draft on Part 1 was published in December 2010 and discussion papers on Part 2 & 3 were also published in December 2010. • The ASB has published these documents concurrently. <p>Additional Exposure Drafts issued that were not included on 2010/2011 work plan:</p> <ul style="list-style-type: none"> • Changes to the Preface to the Standards of GRAP and Preface to the Interpretations of the Standards of GRAP (ED 84). 	<p>Local Discussion Papers:</p> <p>No deviation.</p> <p>IPSASB EDs:</p> <p>No deviation.</p> <p>IPSASB Consultation Papers:</p> <p>No deviation.</p>

Reporting on performance

2. Publish directives, guidelines and interpretations concerning the Standards of GRAP in terms of the abovementioned performance objective.

Action	Targeted outcome	Actual outcome for 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>Directives: Directives or amendments thereto to be published as per the 2010/11 work plan:</p> <ul style="list-style-type: none"> • Transitional provisions (TP) for GRAP 25 (ED and final TP); • Transitional provisions (TP) for GRAP 104 (ED and final TP); • Transitional Provisions and GRAP Reporting Framework for Parliament and legislatures (Final Directive); • Revisions to transitional provisions of GRAP 19 as included in Directives 2 to 4 (Final amendments); and • GRAP Reporting Framework for 2011/2012. <p>Interpretations: Issue Interpretations to the Standards of GRAP dealing with GRAP 104 as EDs as per the 2010/2011 work plan</p>	<p>Directives: The following directives or amendments thereto were approved during the year under review:</p> <ul style="list-style-type: none"> • ED 80: Transitional provisions for GRAP 25; • ED 81: Transitional provisions for GRAP 104; • ED 82: GRAP Reporting Framework for 2011/2012 (ED and final annexure); • Directive 8: Transitional Provisions and GRAP Reporting Framework for Parliament & Legislatures; and • Revisions to transitional provisions of GRAP 19 as included in Directives 2 to 4 (Final amendments). <p>Other directives: The following additional directives or amendments thereto not included in work plan were approved during the year under review:</p> <ul style="list-style-type: none"> • ED 73 and ED 74 and Amended Directive 8: Transitional Provisions and GRAP Reporting Framework for Provincial Legislatures. <p>Interpretations: None issued.</p>	<p>Directives:</p> <ul style="list-style-type: none"> • TP for GRAP 25 - Comment on ED 80 closes at the end of Jan 2011 and will be considered at the June 2011 meeting. • TP for GRAP 104 - Comment on ED 81 closes at the end of March 2011 and will be considered at the June 2011 meeting <p>Interpretations: No IFRICs issued that are relevant to the public sector and thus no IGRAPs issued.</p>

Reporting on performance

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 year
Recommend effective dates for implementation of Standards of GRAP in accordance with the approved process.	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>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"> • Employee Benefits (GRAP 25), and • Financial Instruments (GRAP 104). <p>Other submissions to the Minister of Finance:</p> <ul style="list-style-type: none"> • Revised ASB fees for 2010 and 2011.

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

Action	Targeted outcome	Actual outcome for year
<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 Board'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>	Performance of functions incidental to advancing financial reporting in the public sector.	<p>The following functions were performed during the year under review:</p> <ul style="list-style-type: none"> • CEO is deputy chair of IPSASB (until December 2010); • J Poggiolini appointed as IPSASB member to replace E Swart; • CEO is member of IASB/IPSASB liaison committee (until December 2010); • Secretariat assisted Office of Accountant-General by reviewing GRAP guides; • Secretariat took over administration of Public Sector Accounting Forum; • Secretariat met with AGSA and OAG during MFMA audit cycle to resolve accounting matters (Wednesday meetings); • Secretariat assisted the National Energy Regulator of South Africa (NERSA) by reviewing their implementation guideline to support the preparation of regulatory information using financial statements prepared using GRAPs; • Develop and publish material to assist in the migration to the Standards of GRAP eg regular update of frequently asked questions published on ASB website; • Maintained website; • Wrote and published articles for IMFO (March 2010) and SAIGA (August 2010); • Made presentations or participated in workshops and conferences; • Issue of newsletters after each Board meeting; and • Arranged and participated in trilateral meetings scheduled after each Board meeting.

Reporting on performance

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

Action	Targeted outcome	Actual outcome for year
<p>Publish documents approved by the Board 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>Comment letters submitted</p> <p>To IPSASB:</p> <p>The following comment letters were submitted to IPSASB:</p> <ul style="list-style-type: none"> • Consultation Paper on The Reporting of Long-term Sustainability of Public Sector Finances; • Improvements to IPSASs 2010; and • Service Concession Arrangements: Grantor. <p>To SAICA</p> <p>The following comment letters were submitted to SAICA:</p> <ul style="list-style-type: none"> • On ED 275 and ED 285 Financial Reporting Framework for Non-public Entities. <p>Participation in SAICA sub-committees:</p> <p>Participation in the following SAICA sub-committees to draft responses to IASB requests for comment: ED 288 Leases:</p> <ul style="list-style-type: none"> • ED 284 Revenue from Contacts with Customers, and • Impairment of Financial Assets.

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

Action	Targeted outcome	Actual outcome for year	Reason for deviation
<p>Establish appropriate corporate governance structures, set policies appropriate to the Board 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 Board.</p> <p>Manage and report annually on the financial performance, financial position and service delivery of the Board in accordance with legislative requirements.</p>	<p>Managing the public entity to comply with best practices in corporate governance appropriate to the public entity and comply with the relevant laws and regulations.</p>	<p>Received unqualified audit report from external auditors.</p> <p>No material internal control matters were reported by internal audit during audit performed.</p>	<p>No deviation.</p>

Sustainability report

Sustainable development, including sustainability, "is development that meets the needs of current generations without compromising the ability of future generations to meet their own needs."¹

The ASB issued its first sustainability report in 2010. Since preparing that report, there have been a number of developments internationally in the area of sustainability reporting. In a recent publication by the International Federation of Accountants, Sustainability 2.0, it is noted that an organisation should measure sustainability using three dimensions: economic viability, social responsibility, and environmental responsibility. The ASB is mindful that sustainability should be considered and integrated into its processes and activities wherever possible. However, as the ASB is a relatively small public entity, the three dimensions of sustainability may not all have the same level of relevance and applicability.

Economic viability

As the ASB is dependent solely on a transfer payment from national government, its economic viability depends on the continued support of the National Treasury.

Social responsibility

As the ASB is dependent on public resources to meet its ongoing obligations, it is not possible for the ASB to support any social upliftment projects. The Secretariat agreed in January 2011, however, to make a cash donation to a charity every year based on funds collected from employees on a monthly basis.

Environmental sustainability

The activities of the ASB that affect the environment arise from:

- The operation of the ASB's offices, including the printing of papers for internal and external meetings.
- Travel by the Secretariat of the ASB to maintain and improve its outreach activities locally, and to attend and participate in the IPSASB Board meetings.

The ASB takes active measures to reduce its carbon footprint on an ongoing basis. This is done by reducing consumption of certain goods, managing the waste generated by its activities or using suppliers that are carbon neutral. However, because the ASB has limited resources, the implementation of certain measures is restrained by cost considerations. The following table provides an outline of the goods and services consumed during the year, as well as the measures taken to manage and reduce consumption.

One of the ways in which the ASB aims to reduce its carbon footprint is through waste management. The following initiatives are in place:

- Used paper is donated to schools for recycling.
- Plastic, including used printer cartridges, aluminium and glass are recycled.
- Products that may have a harmful effect on the environment through their disposal are not disposed of through traditional means. E-waste and light bulbs are disposed of using waste-specific containers supplied by retailers.

Consumption of goods and services that increase carbon footprint

	2011	2010	Measures to reduce consumption or offset carbon footprint
Water	115 kilolitres	109 kilolitres	As the amount of water consumed is minimal and at an efficient level, no active measure is being taken to reduce the water consumption.
Electricity	36 848 kilowatts	35 395 kilowatts	Conserve electricity by turning off lights and power to plugs in the evenings, over weekends and holidays. Measures to introduce lighting that is motion-sensitive are being investigated.
Paper	300 kilograms	305 kilograms	Publications produced by the ASB are made available on the website and through the distribution of CDs to stakeholders. The printers have recently been pre-set to print all documents double-sided only. Used paper is donated to schools for recycling.
Air travel	International: 127 762 km Domestic: 62 213 km	International: 250 200 km Domestic: 41 020 km	The air travel undertaken during the year is dependent on the activities of the ASB in a particular period. Teleconferencing is used wherever feasible (decision based on length and nature of discussion required). A programme to offset carbon emissions from air travel will be investigated.

¹ Brundtland Report, extracted from the IFAC sustainability framework 2.0

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 2011 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 28 June 2011, the approval of the annual financial statements to the Board.



V JACK
CHAIRMAN OF THE AUDIT COMMITTEE
28 June 2011

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.

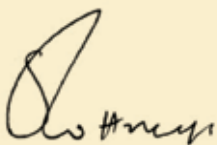
The Board maintained adequate accounting records and an effective system of internal controls and risk management and complied, in all material respects, with applicable laws and regulations.

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, SAB&T, 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 2011 were approved by the Board on 26 July 2011 and are signed on its behalf by:



R COTTRELL
CHAIRPERSON
26 July 2011



INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 31 MARCH 2011

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 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement 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 the requirements of the Public Finance Management Act of South Africa, Act 1 of 1999, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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Directors: *B Adam (CEO) CA(SA), *A Darmalingam CA(SA), T J de Kock CA(SA), S B Gambu CA(SA), Y M Hassen CA(SA)
N Hassim CA(SA), S Ismail CA(SA), *H Kajie CA(SA), S Kleovoulou CA(SA), S Makamure CA(SA), T M Mayet CA(SA)
*K Rama CA(SA), Z Sonpra CA(SA), M F Sulaman CA(SA), I Theron CA(SA), *H van der Merwe CA(SA), J M Wessels CA(SA)

Associate Director: L A D Hoosen
* Executive Committee

SAB&T Chartered Accountants Incorporated
Co. Reg no.1997/018869/21





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 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, Act 1 of 1999, as amended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa (PAA) and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, we include below our findings on the annual performance report as set out on pages 12 to 16 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

There are no material findings to report on.

Compliance with laws and regulations

There are no material findings to report on.

INTERNAL CONTROL

In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control.

There are no material findings to report on.

SAB&T Chartered Accountants Incorporated

Registered Auditors

Per: Aneel Darmalingam

26 July 2011

Centurion

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Co. Reg no.1997/018869/21



Annual Financial Statements

Statement of Financial Position of the Accounting Standards Board as at 31 March 2011

	NOTE	2011 R	2010 R
Assets			
Current assets		773 321	1 109 107
Cash and cash equivalents	2	640 172	1 057 933
Receivables from exchange transactions	3	133 149	51 174
Non-current assets		205 944	224 497
Property, plant and equipment	4	205 944	224 497
Total assets		979 265	1 333 604
Liabilities			
Current liabilities		580 623	365 528
Payables from exchange transactions	5	465 163	129 665
Unused funds to be surrendered to the National Revenue Fund	6	-	126 227
Employee benefit provision	7	115 460	109 636
Total liabilities		580 623	365 528
Total net assets		398 642	968 076
Net Assets			
Reserves			
Accumulated surplus		398 642	968 076
Net assets		398 642	968 076

Statement of changes in Net Assets for the year ended 31 March 2011

	Accumulated surplus R
Balance at 31 March 2009	314 908
Surplus for the year	653 168
Balance at 31 March 2010	968 076
Deficit for the year	(569 434)
Balance at 31 March 2011	398 642

Annual Financial Statements

Statement of Financial Performance of the Accounting Standards Board for the year ended 31 March 2011

	NOTE	2011 R	2010 R
Revenue		7 651 012	7 963 521
Non-exchange revenue		7 538 000	7 859 350
- Transfer	6	7 538 000	7 859 350
Exchange revenue		113 012	104 171
- Interest		76 013	89 171
- Profit on disposal of assets	4	1 019	-
- Other income		35 980	15 000
Expenditure		8 220 446	7 310 353
Employee benefits	9	5 455 161	4 900 350
Operating expenditure	10	2 656 670	2 252 745
Depreciation and impairment	11	108 615	157 258
(Deficit) / surplus for the year		(569 434)	653 168

Cash Flow Statement for the year ended 31 March 2011

	NOTE	2011 R	2010 R
Cash flows from operating activities			
Cash receipts		7 447 753	7 257 000
- Transfer	6	7 411 773	7 242 000
- Other		35 980	15 000
Cash paid		(7 852 484)	(7 436 091)
- Employees		5 205 889	5 226 206
- Suppliers and other		2 646 595	2 209 885
Net cash flows from operating activities	13	(404 731)	(179 091)
Cash flows from investing activities			
Interest received		76 013	89 171
Acquisition of property, plant and equipment	4	(91 842)	(70 834)
Proceeds on disposal of non-current assets	4	2 800	3 985
Net cash flows from investing activities		(13 029)	22 322
Net decrease in cash and cash equivalents		(417 761)	(156 769)
Cash and cash equivalents at beginning of year		1 057 933	1 214 702
Cash and cash equivalents at end of year	2	640 172	1 057 933

Annual Financial Statements

Notes to the Annual Financial Statements for the year ended 31 March 2011

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).

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 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 comprise cash at bank and deposits held on call and are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

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 premises. 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.

Provision for employee benefits

Provision for employee entitlement to annual leave represents the present obligation that the ASB has to pay as a result of employees' services provided to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date.

Post-retirement employee benefits

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

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

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The depreciable

Annual Financial Statements

amounts of property, plant and equipment are 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 negligible. 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.

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.

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

The ASB does not fully compensate Board or MANCO for the preparation required for meetings. Project group members are also not remunerated for either attendance or preparation time. The ASB cannot reliably determine a fair value for this assistance and accordingly, no amount is recognised for the value of these services received in the Statement of Financial Performance.

Effect of new Standards of GRAP issued

The ASB has been early in adopting the following Standards of GRAP that the Minister of Finance has approved for implementation:

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; and
GRAP 26	Impairment of Cash generating Assets.

The adoption of these Standards of GRAP will not affect the previous year's financial results as the Standards have been used to formulate and inform the accounting policies adopted and disclosures made in prior years.

The following approved Standards of GRAP that have been issued, but 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 25	Employee Benefits;
GRAP 103	Heritage Assets;
GRAP 104	Financial Instruments;
GRAP 105	Transfer of Functions Between Entities Under Common Control;
GRAP 106	Transfer of Functions Between Entities Not Under Common Control; and
GRAP 107	Mergers.

The Standard of GRAP on Segment Reporting (November 2010) will not be implemented, as the ASB has only one segment.

The adoption of the 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	2011 R	2010 R
Cash and cash equivalents comprise the following:			
Deposit held in market-linked account		566 885	944 189
Cash at bank		72 678	113 346
Petty cash		609	398
Financial assets	17	640 172	1 057 933

3. Receivables from exchange transactions

	NOTE	2011 R	2010 R
Financial assets	17	45 504	3 989
- Receivables at amortised cost		45 504	3 989
Other receivables		87 645	47 185
- Deposits		52 484	47 185
- Prepayments		35 161	-
		133 149	51 174

See note 16 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
Year ended 31 March 2011				
Opening balance	128 821	95 297	379	224 497
- Additions	91 842	-	-	91 842
- Disposals	(14 387)	(8 684)	-	(23 071)
- Depreciation and impairment	(59 805)	(48 431)	(379)	(108 615)
- Depreciation on disposed assets	12 998	8 293	-	21 291
Closing balance	159 469	46 475	-	205 944
Gross carrying amount	497 661	413 936	148 699	1 060 296
Accumulated depreciation and impairment	(338 192)	(367 461)	(148 699)	(854 352)
Year ended 31 March 2010				
Opening balance	136 632	148 234	30 040	314 906
- Additions	63 439	7 395	-	70 834
- Disposals	(16 159)	-	-	(16 159)
- Depreciation and impairment	(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)

Assets to the value of R 596 332 (2010: R 482 890) have been fully depreciated, but are still in use.

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4. Profit on disposal of property, plant and equipment continued...

	2011	2010
	R	R
Proceeds on disposal of property, plant and equipment	2 800	3 985
Carrying value	1 781	3 985
Profit on disposal of property, plant and equipment	1 019	-

5. Payables from exchange transactions

	NOTE	2011	2010
		R	R
Financial liabilities		394 118	129 665
Payable at amortised cost		-	63 882
Accruals for goods and services		19 389	13 791
Payroll related accruals		374 729	51 992
Other payables		71 045	-
Straight-lining of operating leases		71 045	-
	17	465 163	129 665

See note 16 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

	2011	2010
	R	R
Opening balance	126 227	743 577
Roll-over funds recognised as revenue	-	(743 577)
Received as revenue	7 538 000	7 242 000
Unused amount surrendered	(126 227)	-
Transfer used during the year	(7 538 000)	(7 115 773)
Closing balance	-	126 227

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.

7. Employee benefit provision

	2011	2010
	R	R
Leave pay provision		
Opening balance	109 636	94 302
Additional provision	380 785	364 343
Leave paid out	(16 412)	(14 684)
Amounts utilised during the year	(358 549)	(334 324)
Closing balance	115 460	109 636

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.

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8. Accumulated surplus

In 2009 approval had been received from the National Treasury to retain R743 579, being the amount of the transfer payment received in the 2008/09 financial year not utilised.

	2011	2010
	R	R
Opening balance	968 076	314 908
(Deficit)/surplus for the year	(569 434)	653 168
	398 642	968 076
Made up as follows:		
Net book value of non-current assets	205 944	224 497
Unused surplus available for future use	192 698	743 579

9. Employee benefit costs

	2011	2010
	R	R
Basic salaries	5 445 667	4 890 906
Contribution to the UIF	9 494	9 444
	5 455 161	4 900 350

10. Operating expenditure

	2011	2010
	R	R
Auditor's remuneration	79 381	67 515

11. Depreciation and impairment

	2011	2010
	R	R
Depreciation		
Office equipment	59 805	67 265
Furniture and fittings	48 431	60 332
Leasehold improvements	379	29 661
	108 615	157 258

12. 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 exempt 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.

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13. Net cash from operating activities

	NOTE	2011 R	2010 R
Surplus/(deficit) for the year		(569 434)	653 168
Adjusted for non-cash items		37 407	83 421
- Depreciation and impairment	11	108 615	157 258
- Increase in provisions	7	5 824	15 334
- Interest income		(76 013)	(89 171)
- Profit on disposal of property, plant and equipment		(1 019)	-
Working capital changes		127 296	(915 680)
- Decrease in receivables	3	(81 975)	89 667
- Increase/(decrease) in payables	5	335 498	(387 997)
- (Decrease)/increase in unused transfer payment	6	(126 227)	(617 350)
Cash flows from operating activities		(404 731)	(179 091)

14. Operating lease arrangements

	2011 R	2010 R
At the reporting date, the ASB had commitments outstanding under a non-cancellable operating lease, which fall due as follows:		
Office building and parking	1 994 825	2 404 726
Due within one year	442 693	409 901
Due within 1 – 5 years	1 552 132	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 cost of the lease is straight-lined over the period of the lease.

15. Related party transactions

	2011 R	2010 R
15.1 Key management personnel		
Chief Executive Officer's remuneration:		
- Salary	1 366 877	1 100 640
- Performance bonus	258 027	207 152
- UIF contributions	1 497	1 497
	1 626 401	1 309 289

The Board appointed the Chief Executive Officer, Ms Swart, on 1 March 2003. Her performance bonus is determined after an annual performance evaluation of both her performance and that of the ASB as a whole.

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	2011	2010
	R	R
Chairperson fee		
- Chairperson fee	103 086	94 325
- Board meetings	106 752	78 282
- MANCO meetings	32 444	17 541
- Project group and other	-	3 124
	242 282	193 272
Other Board members		
- Board meetings	276 588	214 806
- MANCO meetings	61 435	30 525
- Project group and other	21 509	13 789
	359 532	259 120
Total Board member's fees	601 814	452 392

Those Board members employed by national or provincial government or other organs of State are not remunerated.

Average number of members

- Board	9	9
- MANCO	4	4

15.2 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 6). The ASB also receives Audit Committee and internal audit services that are paid for 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.

16. Financial instruments

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

	NOTE	2011	2010
		R	R
Receivables at amortised cost		685 676	1 061 922
- Cash and cash equivalents	2	640 172	1 057 933
- Financial assets	3	45 504	3 989
- Financial liabilities at amortised cost		465 163	129 665
- Payables from exchange transactions	5	465 163	129 665

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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 regard 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:

	2011	2010
	R	R
Effect of a 100 basis point increase in interest rates	6 402	10 579
Increase/(decrease) in surplus/(deficit) reported for the year		
Effect of a 100 basis point decrease in interest rates	(6 402)	(10 579)
(Decrease)/increase in surplus/(deficit) reported for the year		

17. Critical accounting judgements

The only aspect where judgement has been exercised relates to the determination of the expected useful lives and depreciable amounts for items of property, plant and equipment.

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18. Comparison of results with the approved budget

	Actual	Budget	Variance
2011	R	R	R
Revenue	7 651 012	7 623 000	28 012
Transfer	7 538 000	7 538 000	-
Interest	76 013	70 000	6 013
Other income	36 999	15 000	21 999
Less: operating expenses	8 111 831	8 483 370	(371 539)
Local meetings	797 727	881 037	(83 310)
International meetings	336 714	349 000	(12 286)
Employee benefit costs	5 455 161	5 520 754	13 705
Training	122 281	264 322	(142 041)
Communication and marketing	251 636	197 946	(25 599)
Establishment costs	624 942	610 860	14 082
Other administration	523 369	659 469	(136 100)
(Deficit) for the year before depreciation and impairment	(460 821)	(860 370)	399 551
Less: Depreciation and impairment	108 615	101 920	6 695
(Deficit) for the year	(569 434)	(962 290)	392 856

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

Expenditure on local meeting costs is below budget, due to under-expenditure on fees to Board members due to non-attendance.

Included in communication and marketing are advertisements for Board members and staff of R79 289.

Savings on training resulted from our inability to schedule attendance of an executive training course in our work programme.

Other operating costs included legal and professional fees incurred for job grading (R28 269), a salary survey (R17 556), skills assessments (R27 401), mediation (R15 390), employment equity report (R4 446), registration of our trademark (R1 391), the use of temporary staff due to the vacancy left by the resignation of the accountant (R19 847) and attorneys' fees (R2 294).



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