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ACCOUNTING STANDARDS BOARD

**ANNUAL
REPORT
2022/23**

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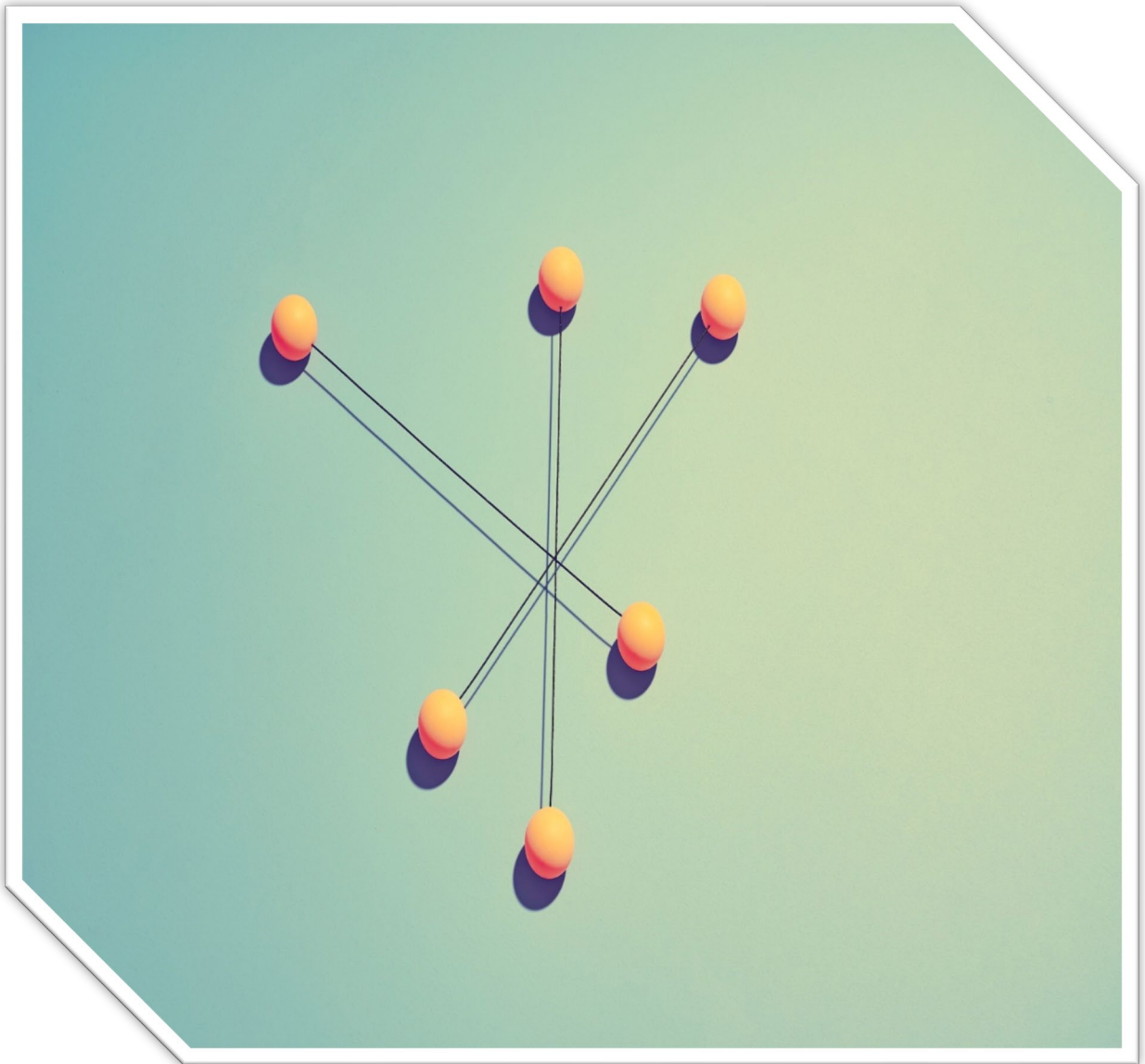
LIST OF ABBREVIATIONS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ASB	Accounting Standards Board
B-BBEE	Broad-Based Black Economic Empowerment
B-BBEE Act	B-BBEE Act, Act No. 53 of 2003
CFO Forum	Chief Financial Officer Forum
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
Constitution	Constitution of South Africa, 1996
CPD	Corporation for Public Deposits
DTI	Department of Trade and Industry
FAQs	Frequently Asked Questions
GRAP	Generally Recognised Accounting Practice
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS® Accounting Standards	IFRS Accounting Standards
IGRAP	Interpretation of the Standards of GRAP
Income Tax Act	Income Tax Act, Act No. 58 of 1962
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IRBA	Independent Regulatory Board for Auditors

KING IV	The King IV Report on Corporate Governance
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
MTEF	Medium-Term Expenditure Framework
OAG	Office of the Accountant-General
OCPO	Office of the Chief Procurement Officer
PEOU	Public Entity Oversight Unit
PFMA	Public Finance Management Act, Act No. 1 of 1999, as amended
PPPFA	Preferential Procurement Policy Framework Act, Act No. 5 of 2000
PSAF	Public Sector Accounting Forum
RPG	Recommended Practice Guidelines
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
SALGA	South African Local Government Association
SCoF	Standing Committee on Finance
TVET College	Public Technical and Vocational Education and Training College
UNSDG	United Nations Sustainable Development Goals
VAT Act	Value-Added Tax Act, Act No 89 of 1991

SECTION 1

GENERAL INFORMATION



MESSAGE FROM THE EXECUTIVE AUTHORITY

With a shift in the reporting landscape to focus on sustainability, it is an opportune time to revisit what entities do and how their work contributes to achieving the United Nations Sustainable Development Goals (UNSDGs).

One of the UNSDGs is developing a capable state.

Similarly, a key goal of the National Development Plan is also to build a capable state. South Africa is a developmental state, which means there is a need for ethical governance and robust accountability. The Accounting Standards Board's (ASB) work contributes directly to developing a capable state by providing mechanisms to hold the government and its entities accountable.

As South Africa moves to build and strengthen the economy, the role of credible and reliable financial statements is critical to the larger goal of attracting investment into the economy. The ASB's work ensures the flow and provision of credible, transparent information about revenues, expenses, assets and liabilities in the financial statements prepared by all entities in the public sector, and that this information is used by key stakeholders.

In addition, robust financial accounting and reporting remain a deterrent to fraud and corruption. While accounting standards are not designed to specifically detect and report on fraud and corruption, careful analysis of the financial statements by key decision-makers can aid in identifying potential anomalies that may require further scrutiny.

The ASB's work, when combined with that of others such as the National Treasury, the Auditor-General of South Africa, the Independent Regulatory Board for Auditors, and others, has the ability to strengthen the financial management environment in the government. A strong financial management environment can and should make a meaningful difference in the lives of all.



A handwritten signature in black ink, appearing to read 'Godongwana', written over a light blue grid background.

Honourable Enoch Godongwana

Minister of Minister

14 August 2023

FOREWORD BY THE CHAIRPERSON

As we emerge from the pandemic, accountants and their role in organisations are becoming even more important than before. While accountants are primarily seen as specialists in the theory of accounting, they are also the gatekeepers for ensuring financial discipline, promoting ethical behaviour, and creating a culture of good governance.

While our focus at the ASB is on the delivery of relevant accounting Standards that can be implemented by the public sector, our work depends on accountants and other finance professionals at all levels. Accountants and other finance professionals are critical in the standards-development process, and ensuring that the Standards are implemented efficiently and ethically. It is this ongoing collaboration between us and the profession that we are able to progress the execution of our mandate, and ensures that we do so in the public interest.

Fraud and corruption come in many forms; including the application of the accounting standards to achieve desired outcomes. We commend the brave people who stand up for what is right no matter where and in what form they encounter fraud and corruption. Their contribution to society is immeasurable.

Highlights for the year

We commenced developing a Standard of GRAP on *Social Benefits*. This is a critical project for the ASB as it is the only remaining “gap” in our suite of Standards. The benefits that government provides are both a significant expense and obligation. Following the pandemic, a range of new benefits are offered by government, and changes were made to existing benefits. Providing decision-makers and oversight structures the right information about government’s spending and commitments to provide these benefits is critical. The Board spent much time debating what principles are appropriate for the range of schemes locally. A proposed Standard of GRAP will be issued for comment in July 2023.

The ASB sets Standards, and the OAG supports their implementation. Consequently, the OAG and ASB require a strong, coordinated approach to accounting in the sector. We welcome the permanent appointment of the Accountant-General. We hope that we will be able to better influence and lobby for the implementation of the Standards of GRAP at national and provincial departments.

We continued our strong co-operation with professional and sector bodies like SAICA, CIGFARO, SALGA and others. This co-operation means that we are able to access more public sector finance professionals that can participate in our due process and spread our message to a wider audience. Provincial treasuries and individual organisations also continued to promote improved accounting by arranging events in their provinces and/or entities.

Looking ahead

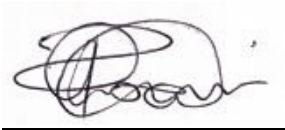
We consult on our work programme every three years. We completed the consultation on our work programme for 2024 to 2026 this year. What we heard, overwhelmingly, is that we need to spend the next three years “taking stock”. This means reflecting on what we have issued, how it is being applied, and how the Standards and the information they generate can be used better. This means that much of our work will not involve “traditional standard-setting” but will see us issue more content on social media, YouTube and other platforms to aid preparers and users of the financial statements.

That being said, there are new pronouncements that will be issued. These will focus on filling gaps in our existing literature, namely social benefits, and improving the application of existing principles, for example, providing guidance on the measurement of assets and liabilities in the public sector.

With this strategy in mind, it is important to have dynamic professionals as part of the ASB Team. From 1 April 2023 Elizna van der Westhuizen assumed the role of Technical Director, and a new standard-setter will step into her shoes.

Appreciation

This has been an unprecedented year for the ASB in many ways. With the support of dedicated staff, Board and Committee members, we were able to deal with many challenges in an efficient, effective and agile manner. While I extend thanks to the staff, Board and Committee members, the ongoing support and assistance of the Deputy-Minister, OAG, AGSA, and others are also much appreciated.



Ms Palesa Moalusi

Chairperson of the Board

26 July 2023

OPERATIONAL REVIEW BY THE CEO

It is not the end of accountants, but the dawning of a new age

We live in an era where it is possible to ask an artificial intelligence (AI) chatbot just about anything. The emergence of AI and other digital solutions means that the role of people – particularly accountants – is uncertain. While many would say that people will be replaced entirely by machines, I firmly do not believe this is the case for the act of accounting and being accountable.

The implementation of accounting standards depends on the “3P’s” - Policies, Processes and People. In the digital age, there is often an over-emphasis on technology in the accounting process, and we overlook the importance of people. Accounting is not an exact science – it requires the use of judgement throughout the financial statement preparation process. Judgement is required to identify an entity’s users, assess what information is most relevant to them, make assumptions about recognition and measurement, how to best present information, and ensure that accounting concepts are applied in an ethical manner. There are also a range of judgements that need to be made to ensure that the “accounting eco-system” is structured and functioning in a way that promotes good governance.

There is no doubt that digital solutions can be harnessed within organisations to make them more effective, particularly for routine activities such as data collection, analysis and manipulation. However, disciplines like accounting that require complex structuring, data interpretation and reasoning, and thoughtful and ethical implementation, need the right people. Given the role that accountants must play in government to act in, and protect the public interest, having the right people is more important than ever.

As technology becomes a key enabler to organisations, accountants and other finance professionals need to think and behave differently. Being “compliance” officers and “bean counters” is no longer what organisations require. The reporting landscape is becoming more complex. With the advent of “sustainability reporting” the landscape is also evolving to respond to the needs of users to understand how organisations impact the environment and society. This broader impact on society goes to the heart of why governments exist. Going forward organisations – particularly government organisations - will require accountants to provide specialist accounting advice, have the ability to link together complex information and systems across an entity, and to always act ethically and responsibly – whether fiscally or in the interest of society.

At the ASB we have long advocated for mindful implementation and application of the Standards through our projects and activities. This will become more evident as we move into our next three-year work programme, which will see an increased focus on how the Standards of GRAP are applied, and how the information generated by applying the Standards is used. While we will not actively take on projects on sustainability reporting, encouraging the use of an integrated mindset when preparing the financial statements and how it links to other information will greatly enhance how information is used.

Keeping watch over the gate

While I consider the Board members and employees “accountants”, we do not always fulfil a traditional accounting role. As standard-setters, our key job is to be thought-leaders in public

sector accounting, and in doing so, ensure that what entities produce in their financial statements is both used and useful to advance society.

We found ourselves fulfilling another role this year – that of a reluctant gatekeeper. Since May 2022 we were involved as a second respondent in a Court case between the entity and AGSA concerning the audit opinion for the 2020/2021 (and subsequently the 2021/2022) financial statements. The ASB's involvement is to ensure that the Court understands the various issues being deliberated.

Given all that was said earlier about the application of judgement in preparing the financial statements and that accounting is a complex, specialist area, it is undesirable for accounting matters to be resolved through legal means. The involvement of the Court has the potential to undermine the key philosophy of accounting, including applying substance over form and presenting economic phenomena in the financial statements. It also means that valuable ASB resources are spent on legal matters instead of constructively progressing the work of the ASB, particularly the areas listed below.

Progressing the ASB's mandate for transparent reporting

It has been a productive year for the ASB. We met all but two targets for the year, which were: Issuing a proposed Standard of GRAP on *Social Benefits* for comment; and issuing education material for users of the financial statements. Accounting for social benefits is a complex area in the local environment which means that the Board carefully considered whether the equivalent IPSAS is suitable. The applicability of IPSAS 42 was considered using the Board's policy on Convergence with International Standards. While some aspects of the IPSAS are appropriate, many aspects need to be modified to suit the characteristics of the benefits locally. It is anticipated that the proposed Standard of GRAP will be issued for comment in July 2023.

Apart from developing new and revised pronouncements, a key part of our work is assessing how pronouncements are being implemented and if they are achieving their intended objective.

Government plays an important custodial role over assets that have cultural value to society. Government needs to ensure that heritage assets are actively identified, preserved and secured for the benefit of future generations. Amendments were made to the Standard on *Heritage Assets* to improve the understanding of the definition of heritage assets, provide more guidance on their measurement, and enhance the information disclosed in the notes about an entity's custodial responsibilities. These changes were a direct result of feedback received during the post-implementation review of the Standard.

Principal-agent arrangements are common in the public sector due to the collaboration between organs of state. The key accounting issue for these arrangements is which entity accounts for revenue, expenses, assets and liabilities. Principal-agent arrangements have been the subject of legal disputes between the auditors and auditees. To assess whether the Standard is meeting its intended objective, the Board started a post-implementation review late in 2022. The review includes consultation with a range of stakeholders, which means that the review will take a year to complete. Inputs received during the process will be discussed by the Board to identify appropriate actions.

Financial overview

The ASB continues to operate in a completely virtual environment. This means that the ASB's resources are directly focused on setting standards and contributing to the sector as no resources are spent on having a physical presence.

The ASB has a surplus of R1 131 847 at 31 March 2023 (2022: R184 003). This is due to the position of Technical Director being vacant for the period, and an underspending on ASB's own budgeted legal fees. Separate funding was received from the National Treasury to fund the legal matter.

Underspending resulted from frequent changes to the supply chain management rules and regulations. In particular, implementing the new Preferential Procurement Regulations slowed procurement as the same requirements apply to all procurement over R2 000 which makes compliance onerous for both us and prospective suppliers.

The uncertain global economy resulting from the war in Ukraine and other factors means that international subscriptions are more expensive due to higher interest rates and a weak exchange rate. International travel is also more expensive due to higher commodity prices and reduced competition in the airline industry.

A request will be made to the National Treasury to retain part of the surplus for particular activities.

Managing risk

The most significant risks relate to the Standards of GRAP not being implemented by entities; legal action in the sector that has the potential to include the ASB; and attracting and retaining the right people. Context to these risks is discussed below.

The national and provincial departments still apply the modified cash basis of accounting, and requests to the Minister to approve the effective dates of Standards take time to action.

The threat of legal action in the sector relates primarily to disputes between the auditors and auditees, and the ASB may be seen as an interested party in the matter.

The ASB's most important asset is its people. In a constrained economy, it is critical that the ASB has a fair and equitable Remuneration Framework in place that balances both monetary and non-monetary benefits. The Board submitted a revised Remuneration Framework to the Minister of Finance in 2021. A response is still awaited from the Minister. This means that the Board cannot fully implement what it believes is appropriate compensation to retain the scarce and critical skills required by the ASB to fully execute its mandate.

Gratitude

In my first year as the CEO, I would like to express my gratitude to the Board for their guidance through difficult times, and for the support from an amazing team of ladies. My appreciation extends to our partners and support structures, in particular, the staff of the PEOU, OAG and AGSA.

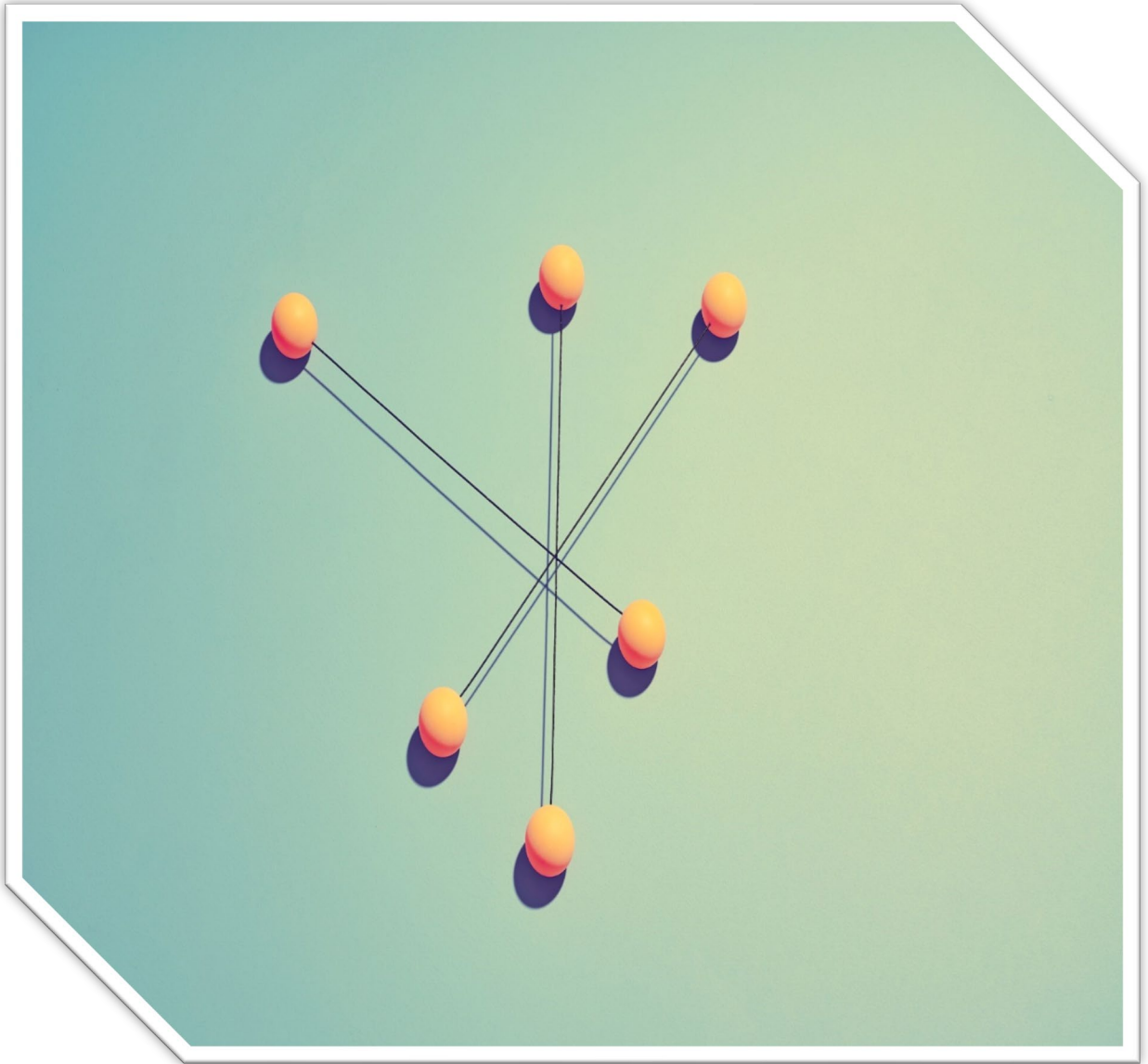


Mrs Jeanine Poggiolini

Chief Executive Officer

26 July 2023

PERFORMANCE INFORMATION



THE ASB'S PERFORMANCE FOR 2022/2023

The Constitution requires the implementation of uniform accounting standards for all spheres of government. The ASB plays an important role in developing Standards that, when implemented, will enable users of financial statements to make informed decisions and hold entities accountable.

THE LEGISLATIVE MANDATE

The Board's functions, as set out in section 89 of the PFMA, are to:

- Set Standards of 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 effective dates of implementation of these Standards of GRAP to the Minister for the different categories of institutions to which these Standards apply.
- Perform any other function incidental to advancing financial reporting in the public sector.
- Consider 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.
- Ensure that the Standards set promote accountability, transparency, and effective management of revenue, expenditure, assets and liabilities of the institutions to which these Standards of GRAP apply.

OUR VISION, MISSION AND VALUES

In delivering on our mandate to develop Standards, our vision and mission are to:

Vision	Mission
Develop financial reporting standards that promote accountability, transparency and effective financial management within all spheres of government.	Achieve our vision through focused and targeted stakeholder interaction that results in the provision of relevant, credible and implementable financial reporting standards.

In developing Standards that enhance the quality of financial information, we ascribe to the following values:

Values
<ul style="list-style-type: none"> ▪ We maintain a high standard of professional ethics. ▪ We set financial reporting standards in the public interest, which means that we act with integrity and objectivity in our deliberations, decisions and actions and are seen to be independent. ▪ We consult widely and encourage public participation in our standard-setting process. ▪ We promote a culture of learning to realise the full potential of our people.

OUR STRATEGIC FOCUS

Strategic goal

To enhance financial reporting in all three spheres of government on a continuous basis to engender confidence in financial reporting and improve accountability and decision-making.

To achieve our strategic goal, the following five strategic objectives have been set:

- Objective 1: Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified.
- Objective 2: Undertake research to ensure Standards of GRAP respond to broader financial reporting needs.
- Objective 3: Influence development of international standards.
- Objective 4: Facilitate and encourage stakeholder engagement and support.
- Objective 5: Manage resources to ensure the ASB is operationally effective.

Table 1 on page 19 outlines the detailed performance information for the year.

The ASB's standard-setting activities are driven by a three-year work programme developed in consultation with stakeholders. This is the end of the Board's work programme for 1 April 2020 to 31 March 2023.

Objective 1: Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified

Targets partially met, but performed additional activities not originally planned

The targets for this objective are developed based on the work programme. For this year, the Board had to issue the six pronouncements listed below, along with a work programme for 2024-2026. The Board issued five out of the six pronouncements and the work programme for 2024 to 2026. While the Board did not issue all the planned pronouncements, it issued amendments to other Standards which were not initially included in the APP.

Performance against original plan

- A proposed Standard of GRAP on *Social Benefits* –
This target was not met. A proposed Standard will be considered by the Board in July 2023, and issued for comment if approved. The Board is considering how to account for social benefits paid in cash to individuals and households. Although there is an IPSAS equivalent, it does not fully respond to the information needs of users locally. The Board's key considerations to date have been what is a social benefit; when liabilities arise for social benefits and what their value should be, including whether users of the financial statements need different information depending on whether the benefits are funded by specific contributions. Given the departure from the international equivalent, the Board agreed to take additional time to deliberate key issues. This resulted in a delay of six months in the project.
- Final amendments to GRAP 103 on *Heritage Assets* –
The changes to the Standard were approved in June 2022 and respond to matters raised by stakeholders during the post-implementation review of the Standard. The changes refine

the definition of a heritage asset to better align with legislation, provide guidance on the measurement of heritage assets particularly when a reliable value may not be available, and enhance disclosures.

- The GRAP Reporting Framework for financial years commencing on or after 1 April 2023 – The Board – by way of adding an Annexure to Directive 5 on *Determining the GRAP Reporting Framework* – approves the Standards and pronouncements that should be applied by entities every year. The approval is granted at least a year in advance of the reporting period to which it applies. The revised Reporting Framework was issued in September 2022. Supplementary material is published by the Secretariat on Directive 5 and the Annexures to enhance the Directive’s understandability and application.
- Final amendments to GRAP 1 on *Presentation of Financial Statements* – GRAP 1 prescribes that financial statements should be prepared on a going concern basis. With the downturn in the economy, entities find themselves in a dire financial position which raises questions about whether they are a going concern. The amendments to GRAP 1, approved in November 2022, provide guidance on what going concern means, how it should be interpreted in the public sector and when entities are not considered a going concern.
- Proposed *Improvements to the Standards of GRAP, 2023* and a proposed IGRAP on *Foreign Currency Transactions and Advance Consideration* – The Board undertakes an “Improvements Project” every three years. This project includes reviewing non-urgent, minor changes made to the international equivalents on which the Standards of GRAP are based to assess whether they should be implemented locally. Improvements identified by stakeholders may also be included in the project depending on their nature.
- Work programme for 2024 to 2026 – The ASB’s technical activities are directed by a three-year work programme. The work programme is developed through public consultation with the ASB’s stakeholders. The work programme was approved by the Board in September 2022. The strategic theme is “Taking Stock” which means that the ASB’s work will focus on enhancing the application of the Standards and ensuring that the information generated by applying the Standards is better utilised.

Additional activities

Three Standards on transfers of functions and mergers were issued by the Board in 2010. These Standards were “homegrown” and pre-dated any work by the IPSASB on these transactions. IPSAS 40 on *Public Sector Combinations* was issued in 2017 and deals broadly with the same transactions (although they may be called something different internationally).

While IPSAS are used as a basis when developing Standards of GRAP, an assessment is made whether convergence achieves the ASB’s strategic objectives and mandate. In this instance, the ASB had existing Standards of GRAP, they were implemented by entities, and no particular application issues were raised. As a first step, the Board decided to compare the existing Standards of GRAP to IPSAS 40 to identify potential differences in accounting and reporting.

The result of the comparison is that the broad accounting outcome between the Standards of GRAP and IPSAS 40 is the same. The Board agreed that the three Standards of GRAP should be retained as they meet local users' needs. The comparison identified potential areas where the Standards of GRAP could be improved based on IPSAS 40. Proposed revisions to GRAP 105 to 107 were approved by the Board for comment at its March 2023 meeting.

Objective 2: Undertake research to ensure Standards of GRAP respond to broader financial reporting needs

Targets fully met

This objective includes a range of activities, for example, conducting post-implementation and desktop reviews of the application and implementation of the Standards; and researching particular topics or issues so that insights can be gained about how to progress work (or not) in certain areas.

During the year, the following two planned projects were completed:

- Publish public consultation documents for the post-implementation review of GRAP 109 on *Accounting by Principals and Agents*. The documents were published in November 2022.
- Complete a comparison of IPSAS 40 to the Standards of GRAP on transfers of functions and mergers. The results of this work were presented to the Board in September 2022. Based on the results of this comparison, the Board agreed that revisions were needed to the Standards of GRAP. These revisions are discussed under the heading "Additional activities" for Objective 1.

Objective 3: Influence development of international standards

Targets fully met

The Board uses IPSAS and IFRS Accounting Standards (where relevant), to develop Standards of GRAP where their use is consistent with the ASB's strategy and mandate. Given the Board's use of IPSAS, it is interested in ensuring that the IPSAS are technically sound and cater for the needs of the South African (and African) users and preparers.

The two activities undertaken by the ASB to achieve this objective are to:

- Attend the IPSASB meetings –

All IPSASB meetings were attended for the year.

Mr A van der Burgh, a Board member, attended the IPSASB meetings as a technical adviser to Ms L Bodewig for the meetings held in 2022. He was appointed as the new IPSASB member representing South Africa from 1 January 2023 and attended the March 2023 meeting in his capacity as the member. His term is for three years, with the potential for a second three-year term.

Ms L Bodewig proudly represented South Africa as the South African member on the IPSASB from 2017. Prior to this she served as a technical adviser to two previous members. Her term as a member and technical adviser means that she is one of the longest serving individuals of all time on the IPSASB. The Board thanks her for her dedication and commitment to improving reporting internationally and in South Africa.

- Submit comment letter to the IPSASB on relevant Exposure Drafts –

The IPSASB publishes numerous documents every year for comment. Some of the topics may have limited interest in the South African environment. The Secretariat changed the process to identify to the Board the priority projects where the ASB should spend time. This means that the ASB did not comment on all documents published by the IPSASB for comment, but commented on those that were most relevant to the ASB's mandate.

The ASB submitted comment letters on these topics:

- Revisions to the Conceptual Framework – amendments were proposed by the IPSASB to its Conceptual Framework based on the definitions of assets, liabilities, qualitative characteristics, and materiality in the Conceptual Framework for Financial Reporting issued by the IASB.
- Sustainability reporting in the public sector – with the surge in developments in the private sector on sustainability reporting, the IPSASB published a consultation document requesting views on whether it should take on the responsibility for sustainability reporting. Views were also requested on potential topics to be covered as part of sustainability reporting.
- Amendments to RPGs – changes were proposed by the IPSASB to the RPGs as a short-term measure to explain how they could be used in sustainability reporting.
- Natural resources – the IPSASB published a Consultation Paper exploring accounting and reporting issues related to fauna, flora, water, oil, gas, minerals etc.

There were no projects at the IASB that required specific comment.

Objective 4: Facilitate and encourage stakeholder engagement and support

Targets partially met

The activities under this objective are aimed at increasing the extent, and improving the level of, stakeholder involvement in the ASB's activities. The ASB's activities in this area are largely unchanged from the prior year. FAQs are issued when a need is identified, articles are written for other organisations once a quarter, the PSAF is held eight times a year, and meeting highlights are issued after every Board meeting. The ASB met all its targets for these activities.

The target that was not met was the publication of education material for users of the financial statements. This was a joint project with the National Treasury. While the project was completed within the reporting period, the scope of the project was significantly modified from what was originally agreed. The scope changed based on the National Treasury's focus group discussions with particular users of the material. They indicated that detailed material is required dealing with a range of topics beyond the scope of financial statements.

The Secretariat will develop content for its YouTube channel in 2023/24 to respond to the narrower financial statement scope. The YouTube content and the National Treasury's material can work well together to provide the right level of understanding to a range of users.

Objective 5: Manage resources to ensure the ASB is operationally effective

Targets fully met

In 2022, the ASB attained a clean audit yet again. This has been the case since the establishment of the ASB in 2002.

The way in which the Board develops and issues its pronouncements was outlined in the Preface to the Standards of GRAP. Over time, the work of the ASB has become more complex, which means that a range of documents are issued, and how they are developed and published for comment may differ. The Board also has clear policies and strategies in place when it sets pronouncements. Internationally, other standard-setters issued their standard-setting and due process policies in a single document and published the document for comment. In line with this best practice, the Board agreed to do the same by issuing a Due Process Handbook (Handbook) for comment. While the contents of the Handbook may seem new to external users, the Handbook included existing policies already applied by the ASB in its standard-setting process.

Table 1 - Detailed performance information for the year

Strategic objective	Measurable indicator	Targeted performance	Actual Performance
Maintain and enhance existing Standards of GRAP and develop new Standards where gaps identified	No. of pronouncements issued as identified in the work programme for the year	6	5
	No. of work programmes issued for 2024 to 2026	1	1
Undertake research to ensure Standards of GRAP respond to broader financial reporting needs	No. of reviews completed and/or research reports issued	2	2
Influence the development of international Standards	No. of international Board meetings attended	4	4
	Percentage of relevant IPSASB exposure drafts commented on within the comment period set by IPSASB	100%	100%
	Percentage of IASB exposure drafts that are relevant to the public sector commented on within the comment period set by the IASB	100%	Not applicable
Facilitate and encourage stakeholder engagement and support	Percentage of FAQs issued to respond to issues raised by stakeholders within the approved timeframe from date of identification of the need to develop the FAQ	100%	100%
	No. of accounting forum meetings	8	8

Strategic objective	Measurable indicator	Targeted performance	Actual Performance
	No. of articles on different topics to continue awareness raising amongst stakeholders	4	4
	No. of meeting highlights issued after Board meetings to create awareness of new developments	4	4
	No. of educational material for users issued	1	0
Manage resources to ensure the ASB is operationally effective	To ensure the ASB delivers on its mandate by having a clean audit and minimal issues identified during the audit of the organisation (no. of issues identified by the external audit and reported in management letter)	Clean audit	Clean audit
	No. of Due Process Handbooks issued	1	1

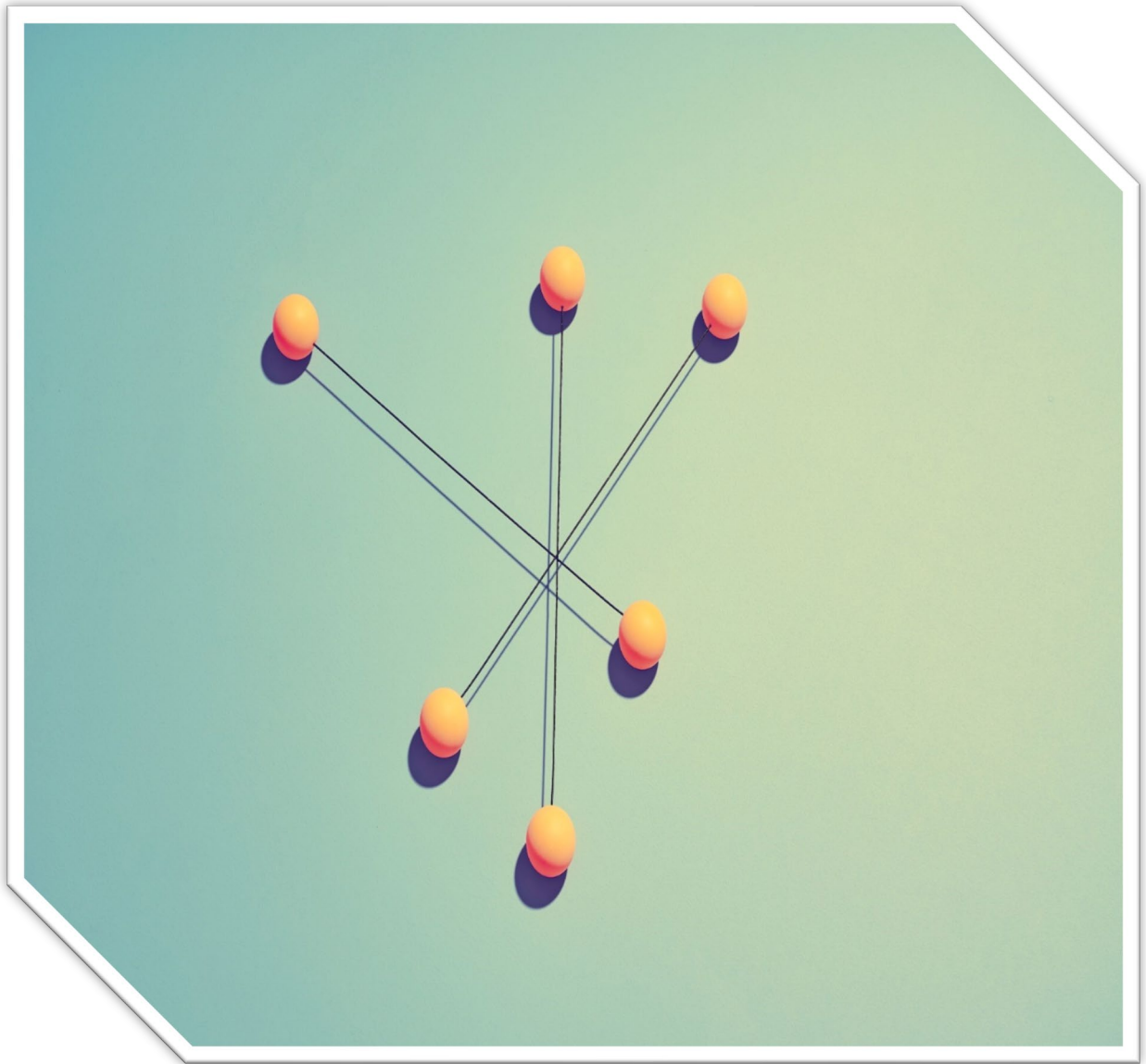
OUR STRATEGIC FOCUS FOR 2023/24

To achieve the ASB's strategic outcome to enhance financial reporting for better decision making and accountability, the following strategic objectives have been set in the APP for 2023/2024:

Output indicators	Annual target 2023/2024
Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified	
No. of pronouncements issued as identified in the work programme for the year	5
Undertake research to ensure Standards of GRAP respond to broader financial reporting needs	
No. of reviews issued for consultation, and/or completed and/or research reports published	2
Influence development of international Standards	
No. of international board meetings attended (Virtually or physically)	4
Percentage of relevant IPSASB Exposure Drafts commented on within the comment period set by IPSASB	100%
Percentage of IASB Exposure Drafts that are relevant to the Public Sector commented on within the comment period set by IASB	100%
Facilitate and encourage stakeholder engagement and support	
Percentage of FAQs issued to respond to issues raised by stakeholders within the approved timeframe from date of identification of the need to develop a FAQ	100%
No. of accounting forum meetings	8
No. of articles on different topics to continue awareness raising amongst stakeholders	4
No. of meeting highlights issued after Board meetings to create awareness of new developments	4
Percentage of outputs met in the work plan for the reference group	100%
Percentage of outputs met in communication plan for Enhancing the Application of the Standards of GRAP	100%
Manage resources to ensure the ASB is operationally effective	
No. of issues identified by external audit and reported in management letter.	0

SECTION 3

STAKEHOLDER OUTREACH



Outreach to stakeholders

THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT AND OUR STRATEGY

The Standards of GRAP are issued in terms of the PFMA. The Minister of Finance is responsible for approving the application of the Standards of GRAP – both who should apply the Standards, and from when. The Standards of GRAP are legislation, and it is the Minister of Finance who approves this legislation on behalf of Parliament.

As the Standards are legislation, it is important that a rigorous public consultation process is followed and that sufficient opportunities are created by the ASB for stakeholders to be involved in the due process. During the year, this process was published in our Handbook, and was also subject to public consultation. It is equally important that stakeholders are provided regular updates about the ASB's activities, and that they have an opportunity to raise issues about the effectiveness and application of the Standards.

The ASB's stakeholders include users of the financial statements, i.e. providers of resources and beneficiaries of government's services; Parliament, provincial legislatures, and municipal councils; preparers of the financial statements; regulators and oversight bodies; professional bodies; academia; ratings agencies and others.

OUR ACHIEVEMENTS FOR THE YEAR

Information about the engagements for the year is available on the ASB's website at [add link]. Almost all the engagements for the year were held virtually. Virtual engagements continue to be the preferred way of interacting because of time and cost savings. The physical in-person meetings held were usually at the request of another entity, for example, a provincial treasury, a stakeholder's conference, or an individual entity.

The engagements for the year totalled 55 (2022: 75). The number of engagements depends on the following:

- The nature of projects on the work programme and how many pronouncements are issued for comment by the ASB and IPSASB. Sixty percent of the engagements for the year related to the standard-setting activities and executing the Board's due process. Publications issued by the IPSASB for comment are issued as Exposure Drafts locally for comment and follow a similar due process as Standards of GRAP. The purpose of the of the local discussions on the IPSASB's documents is for the Secretariat to obtain feedback on the IPSASB's proposals to draft a relevant South African comment letter.
- The need for outreach from stakeholders. The remaining 40% of outreach activities related to sharing information with stakeholders through GRAP updates, online workshops and webinars with professional bodies and their members and presenting on specific topics at conferences or equivalent.
- The availability of staff resources. The vacancy of the Technical Director meant that there was reduced organisational capacity to respond to outreach requests.

While all stakeholder engagements are valuable and constructive, there were two initiatives that were particularly well received by stakeholders. For the second time the ASB hosted GRAP for both PFMA and MFMA entities respectively. The purpose of the sessions was to raise awareness about potential changes and topical issues in the GRAP environment to assist in preparing

financial statements. The intention is not to replace detailed training offered by service providers. The second initiative was creating a dialogue on sustainability reporting for the ASB's stakeholders. As sustainability reporting in the public sector is still largely vague and ill-defined the session provided stakeholders an opportunity to understand developments in the private sector, how work in the public sector is progressing, and gave entities a chance to share their own efforts in this area.

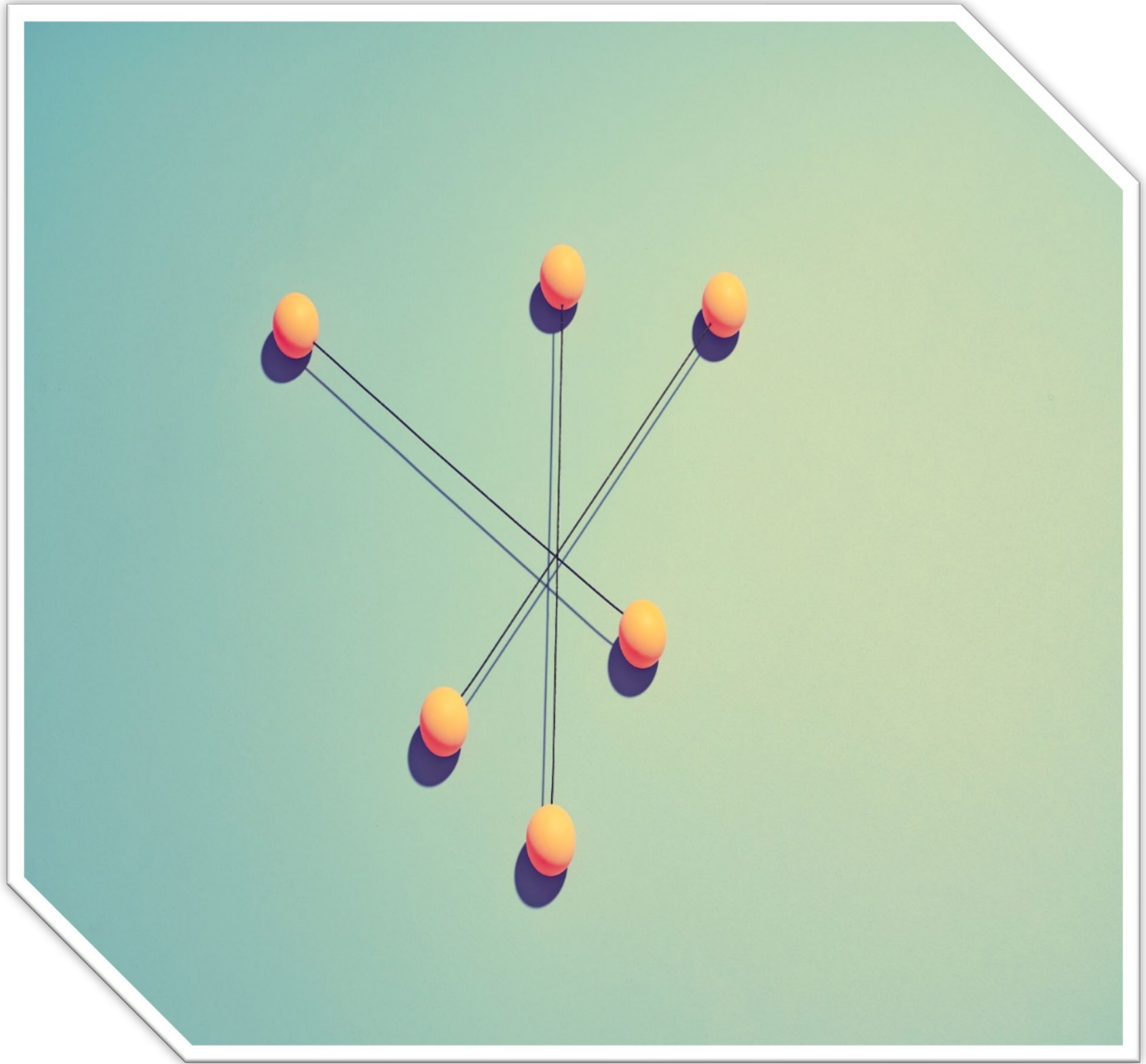
EXPANDING OUR REACH

The ASB is always looking for opportunities to expand its outreach. The ASB had success with various social media platforms, but YouTube had the best results. Recorded events were posted which enabled stakeholders to access the content multiple times.

In the past, the Standards of GRAP were translated. The use of the translated Standards is low, in part because accounting is often taught in English at universities and other tertiary institutions. The translation of the Standards stemmed from the Use of Official Languages Act. The intention of the Act is to promote better access to government services and better understand how government works using a range of languages. The translation of other material would better facilitate the intent of the Act. The ASB will assess how to implement the Act more effectively in the new reporting period.

SECTION 4

GOVERNANCE



GOVERNANCE OF THE ASB

Good governance principles and practices are a key enabler of effective and successful entities. Governance influences how the ASB’s objectives are set and achieved, how risk is monitored and addressed, and how performance is optimised. The ASB has effective governance processes, policies, structures, and systems to ensure that its employees are held to account. The ASB’s APP supports these processes, policies, structures and systems.

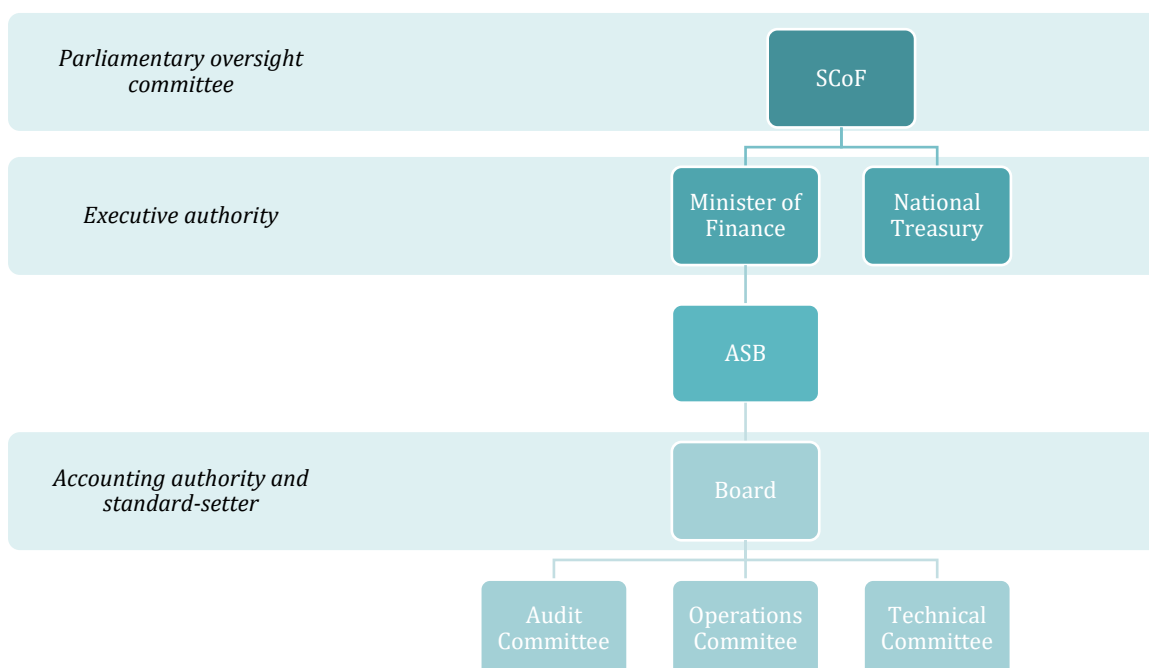
APPLICATION OF KING IV

The Board benchmarks its governance policies and practices to the recommended practice set out in King IV. The Board applies the practices recommended except for the following:

- The Board is held accountable by its stakeholders using the annual report, which incorporates most of the principles of an integrated report, including a full set of financial statements. King IV requires that integrated reports contain summarised financial statements. The Board does not publish an integrated report.
- In terms of the PFMA, entities are permitted to share Audit Committees with other entities. The Board shares an Audit Committee with the National Treasury. The National Treasury is responsible for the appointment of the members, the selection of the Chairperson and the remuneration of all members.
- The CEO and Technical Director are not members of the Board and cannot vote. They attend Board meetings and meetings of the ASB’s sub-committees to provide members with the required information.

THE ASB’S GOVERNANCE STRUCTURE

Figure 2: ASB’s governance structure



Portfolio committee - SCoF

The SCoF reviews the ASB's annual financial statements and the audit report of the external auditor, and exercises oversight over the ASB as an entity under the portfolio of the Minister of Finance, under the control of the National Treasury.

Executive authority

In his capacity as the executive authority responsible for the ASB, the Minister of Finance appoints the Board members.

The Minister is also responsible to determine effective dates for all newly issued Standards of GRAP, or amendments to existing Standards of GRAP. The Board makes recommendations to the Minister on the effective dates for Standards of GRAP after consultation with the AGSA and the National Treasury.

The Board

The role of the Board

The Board is responsible for the accountability, governance and performance of the ASB. The Board has an Operations Committee and Technical Committee and delegates certain functions to these sub-committees.

The Operations Committee oversees functions such as finance, human resources and remuneration, risk management and information technology.

In its standard-setting capacity, the Board develops and approves a range of pronouncements as described in the Handbook. The Board's responsibility to develop these pronouncements and assess compliance with its due process is primarily executed through the Technical Committee.

Given the size of the ASB and the importance of a standard-setter acting ethically, the Board retains the responsibility for ethics rather than delegating it to a sub-committee.

Board composition and attendance of meetings

The Board consists of no more than ten members as determined by the Minister of Finance. Apart from the Accountant-General and the Auditor-General, all the members of the Board are non-executive members. The Accountant-General and the Auditor-General are ex-officio members of the Board and are not permitted to vote. The CEO is a member of the Technical Committee.

Members are appointed for their skills and expertise in accounting and public sector finance. They also have knowledge and an understanding of financial reporting and governance to guide the ASB as a public entity. Members are appointed for a term of three years and can be re-appointed for another term. One third of the members are required to rotate annually, after the commencement of their second term.

The Chairperson and Deputy Chairperson of the Board are elected by the Board members. The Chairperson has no executive functions, except for the approval of the CEO's salary related expenses and leave.

During the year under review, the Board member composition and their attendance of meetings were as follows (see Table 3):

Table 3: Board composition and attendance

Name of Board member	Designation in terms of the Board's structure	Date appointed and resignation date	Qualifications	Area of expertise	No. of Board meetings attended
C Braxton	Chairperson of the Board Member of the Operations Committee Member of the Technical Committee	1 March 2018 Re-appointed for a second term on 1 March 2021	CA(SA)	Technical accounting, auditing, and training in the public and private sector	7/7
P Moalusi *	Deputy Chairperson of the Board Member of the Operations Committee	1 March 2018 Re-appointed for a second term on 1 March 2021	CA(SA)	Public sector finance	4/7
W de Jager	Chairperson of the Operations Committee	1 March 2021	CA(SA) Fellow Cost and Management Accountant Chartered Global Management Accountant	Public Sector Finance	7/7
D Dlamini *	Chairperson of the Technical Committee	1 March 2021	Professional Accountant Chartered Director (SA)	Public Sector Finance	5/7
K Maree *	Ex-officio member representing Accountant-General	14 April 2020 (term ended 1 March 2023)	CA(SA) Chartered Financial Analyst	Public Sector Finance	4/6
A Muller *	Ex-officio member representing the Auditor-General	1 September 2021	CA(SA)	Public sector audit	5/7
N Themba	Member of the Operations Committee	1 March 2018 Re-appointed for a second term on 1 March 2021	Professional Accountant	Public sector finance and internal audit	7/7
A van der Burgh	Deputy chairperson of the Technical Committee	1 March 2021	CA(SA)	Academic public and private sector accounting	7/7
S Khan *	Accountant-General - Ex-officio member National Treasury	1 March 2023	CA(SA)	Public Sector Finance	1/1

[*] - indicates that the member is not remunerated

Board sub-committees

The members of the Operations Committee and Technical Committee serve on either committee based on their experience and interest. Officials (who are not Board members) from the OAG and AGSA are represented on the Technical Committee.

Both the Chairperson of the Operations Committee and the Technical Committee are appointed by the Chairperson of the Board on recommendation of members of the relevant sub-committees. The Chairperson of the Board cannot be the Chairperson of either the Operations Committee or the Technical Committee.

During the reporting period, the Operations Committee met six times. The composition and attendance of the Operations Committee meetings were as follows:

Table 4: Operations Committee composition and attendance

Name of Board member	Date appointed	No. of meetings attended
W de Jager (Chairperson)	1 March 2021	6/6
C Braxton	1 March 2018 and re-appointed 1 March 2021	6/6
P Moalusi *	1 March 2018 and re-appointed 1 March 2021	6/6
N Themba	1 March 2018 and re-appointed 1 March 2021	6/6

[*] – indicates that the member is not remunerated

The Technical Committee met four times. The composition and attendance of the Technical Committee meetings were as follow:

Table 5: Technical Committee composition and attendance

Name of Board member	Date appointed	No. of meetings attended
D Dlamini * (Chairperson)	1 March 2021	4/4
C Braxton	1 March 2018 and re-appointed 1 March 2021	4/4
L Bodewig*	Member representing National Treasury	4/4
M Grobbelaar*	Member representing AGSA until September 2022	2/4
M Mentz*	Member representing AGSA from October 2022	2/4
A van der Burgh	1 March 2021	4/4

[*] – indicates that the member is not remunerated

Remuneration of Board members

Board members are remunerated at the rate of a partner in accordance with SAICA's Guideline on *Fees for Audits and Audit Related Services Performed by Auditors in Private Practice on Behalf of the Auditor-General of South Africa*. Board members are remunerated for the duration of the meeting.

Employees of national, provincial and local government and any of their agencies, entities or organs of state are not remunerated. Actual expenses incurred by Board members to attend meetings are refunded.

The Chairperson of the Board receives a monthly fee for his responsibilities over and above his duties as the Chairperson at Board meetings. His fee has been determined by the Minister of

Finance and increases annually at a rate determined by the National Treasury in accordance with the Treasury Regulations.

The remuneration of Board members during the year is detailed below:

Table 5: Remuneration of Board members

Name of Board member	Board R	Operations Committee R	Technical Committee R	Fee for chair R	Audit Committee R	Total 2023 R
C Braxton	90 701	54 146	38 987	126 148	-	309 982
W de Jager	90 701	54 146	-	-	35 868	180 715
N Themba	86 032	51 557	-	-	-	137 589
A van der Burgh	90 701	-	42 106	-	-	132 807
Total	358 135	159 849	81 093	126 148	35 868	761 093

Ms W de Jager attends the Audit Committee on behalf of the Board. Ms P Mzizi, the Chair of the Audit Committee, was paid R66 279 to attend the Board meetings during the year. She attended 4 out of 7 meetings.

Evaluation of the Board's performance

To give effect to the King IV requirements, the Board evaluates its performance, its sub-committees' performance, and the performance of individual members on an annual basis.

In the first year of a Board member's term, the focus of the evaluation is on attendance of meetings, preparation for, and participation at the meetings. The Chairperson of the Board and the Chairpersons of the various sub-committees perform these assessments.

In the second year of a Board member's term, the focus of the assessment moves to the efficiency and effectiveness of the Board and its Committees. The Chairperson of the Board and the Chairpersons of the various sub-committees assess the members, and the members assess them during this evaluation. In the last year of a Board member's term, the Chairperson of the Board, the Chairpersons of the various sub-committees, and the Secretariat perform an assessment of the member's contributions made over the three-year period.

AUDIT COMMITTEE

The Audit Committee is responsible for the oversight of the combined assurance, including internal and external audit functions; ensuring the effectiveness of internal control systems; and ensuring the adequacy, reliability, and accuracy of financial and performance information.

Due to the size and nature of the ASB, it shares the National Treasury's Audit Committee. The National Treasury appoints and remunerates the members of the Audit Committee. The governance and accountability of the Audit Committee is the responsibility of the National Treasury. The notes to the financial statements outline the services in-kind received by the ASB for sharing the Audit Committee with the National Treasury.

The Chairperson of the Audit Committee attends the Board meetings, and the Chairperson of the Operations Committee and the ASB's CEO attends the Audit Committee meetings to ensure an unimpeded direct link to the ASB's Board. The ASB remunerates the Chairperson of the Audit Committee for attending Board meetings, as well as the Chairperson of the Operations Committee

for attending the Audit Committee meetings. The remuneration is provided in Table 5 and its supporting explanations.

The Audit Committee's report is included on pages 41 to 44.

RISK MANAGEMENT AND THE CONTROL ENVIRONMENT

The Board's risk management is aligned to the principles of good governance, as supported by the PFMA.

The CEO supervises the day-to-day operations of the ASB. The Operations Committee oversees risk management, ensures appropriate internal controls are implemented by the CEO and monitors the ASB's compliance with applicable laws and regulations.

The Board ensures that effective risk management processes are embedded into the ASB's systems and processes to ensure that responses to risks remain current and dynamic. The ASB undertakes both an annual and periodic assessment of risks associated with the functions and operations of the ASB, and frequently updates its risk management strategy to respond to risks.

While the ASB takes active steps to mitigate its risks, there are two key risks that are outside the Board's control. These are (a) the delays by the Minister in responding to important matters such as approving the effective dates of Standards and dealing with remuneration; and (b) the risk of the ASB's involvement in litigation about the application and/or interpretation of the Standards of GRAP.

The Board, with the assistance of the Operations Committee, Audit Committee and internal audit ensures that an effective, efficient and transparent system of internal control is implemented and maintained for the ASB to meet its strategic objectives.

The internal control environment includes comprehensive policies and processes that are regularly reviewed by management and the Operations Committee (for operational policies) and the Technical Committee (for technical policies). As the ASB is a small organisation, segregation of functions may not be possible in all instances. The oversight of the Operations Committee, as well as the fact that most of the staff members are professionals that subscribe to a Code of Ethics, help mitigate this risk.

INTERNAL AUDIT

Internal audit assists the Board to maintain an effective and efficient internal control environment. Internal audit evaluates the ASB's controls to determine their effectiveness, and to develop recommendations, where appropriate, to improve and enhance existing controls.

As with the Audit Committee, the ASB shares its internal audit function with the National Treasury. During the period under review, the internal audit conducted various reviews and assessments on the ASB's control environment. The results of these reviews were directly reported to the Audit Committee. The Operations Committee also reviews these reports. See the Report of the Audit Committee for details on the internal audit activities.

The estimated cost of the internal audit services provided by the National Treasury's internal audit unit is approximately R318 632. This is based on the salary costs of staff assigned to the ASB's audit.

EXTERNAL AUDIT

Moore Pretoria was appointed as the external auditors of the ASB. No non-audit services were provided by the external auditors. The report of the external auditors is set out on pages 41 to 49.

COMBINED ASSURANCE

The Board implemented a combined assurance model to ensure that the appropriate level of assurance is obtained in managing the significant risks and material matters as part of its risk management strategy. The model is outlined in Table 6.

Table 6: Combined assurance model

Level 1	Level 2	Level 3
Executive Management	Risk resilience and compliance management	Internal and external audit
<p>Assurance over:</p> <ul style="list-style-type: none"> ▪ adequacy of risk management; ▪ effective adherence to systems of internal control; and ▪ delivery against predetermined strategic objectives and performance measures. 	<p>Oversight by the Operations Committee, Technical Committee and Audit Committee.</p> <p>Oversight over:</p> <ul style="list-style-type: none"> ▪ implementation of risk and compliance management; ▪ financial management and statements; ▪ compliance with laws and regulations; ▪ policies and processes; and ▪ reporting to stakeholders. 	<p>The internal audit activity provides assurance over:</p> <ul style="list-style-type: none"> ▪ adequacy and effectiveness of the systems of internal control; ▪ performance information; ▪ risk management; and ▪ control and governance processes. <p>External audit provides independent reasonable assurance that:</p> <ul style="list-style-type: none"> ▪ financial statements are free from material misstatement; and ▪ are prepared in all material respects in accordance with the Standards of GRAP. <p>External audit also has a responsibility to report in the auditor's report findings on:</p> <ul style="list-style-type: none"> ▪ the reported performance against predetermined objectives; and ▪ compliance with legislation.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations is integrated into the risk management and control systems of the ASB. The Board has policies to ensure compliance with the relevant laws and regulations.

A compliance register lists all the relevant laws and regulations that are applicable to the ASB. This register is updated on a regular basis and any incidents of non-compliance, or suspected non-compliance, are reported to the Operations Committee and Board without any regard to the materiality of the incident. There were no areas of non-compliance identified for the year.

Reporting on irregular expenditure

Irregular expenditure was incurred last year. The irregular expenditure resulted from non-compliance with the 80/20 principle for purchases above R30 000. The Board agreed that no action can be taken against an employee as those responsible for incurring the irregular expenditure are no longer employed by the ASB. A request for condonation was submitted to the National Treasury. Supporting evidence was requested by the OCPO and will be submitted.

The amount of confirmed irregular expenditure and awaiting condonation is as follows:

Figures in Rands	2023	2022
Opening balance	86 332	-
Confirmed expenses	-	86 332
Closing balance	86 332	86 332

FRAUD AND CORRUPTION

The Board has a fraud prevention plan to address the risk of fraud and corruption, and to create an anti-fraud culture within the ASB. This involves the implementation of basic internal controls to prevent, or limit the risk of fraud, and to detect it. The policy also addresses the mechanisms by the Board to report, investigate, and resolve incidents of fraud impacting the ASB.

The Board's whistleblowing policy aims to provide avenues for employees to raise concerns and receive feedback on any action when they have disclosed information relating to criminal and other irregular conduct in the workplace.

During the period under review, there were no whistleblowing reports and no incidents concerning fraud and corruption were identified.

MINIMISING CONFLICT OF INTEREST

All Board and sub-committee members are required to complete an annual declaration of interests and notify the CEO of any changes. Members of the Board and Committees are required to declare interests in any item discussed at a meeting.

Employees are required to declare all actual or perceived conflicts of interest annually or when they change. During the period under review there were no conflicts of interest that affected the Board or any Committee decision-making.

CODE OF CONDUCT

The Board's Code of Conduct requires all Board members and the Secretariat to conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all known and applicable laws and regulations.

The Board expects that all employees share the Board's commitment to high moral, ethical and legal standards. Employees should apply sound judgement in deciding the most ethical means of dealing with any given situation. Any violations of the Code of Conduct are reported to the CEO, the Chairperson of the Board, and internal and external audit.

No breaches of the Code of Conduct occurred in the year.

STRATEGIC PLAN, ANNUAL PERFORMANCE PLAN AND BUDGET

The CEO prepares the strategic plan, APP and budget after consulting the sub-committees, whereafter these are approved by the Board. These documents are submitted to the National Treasury and the Minister of Finance for approval and tabling in Parliament.

Quarterly performance reports, management accounts and reports on compliance with legislation are submitted to the PEOU in the National Treasury. The APP serves as the performance agreement between the ASB and the Minister of Finance.

FINANCIAL SUSTAINABILITY

The ASB's activities are funded through annual allocations made by the National Treasury through the budgetary process. The core activities of the ASB are funded both in the short and medium term.

Historically, the allocations to the ASB have either remained constant or reduced. The ASB's activities are curtailed to fit within the allocations provided by the National Treasury. In particular, certain projects identified by stakeholders for the 2024-2026 work programme will not be executed as the ASB is unable to employ sufficient staff resources. The Board needs to work towards agreeing a funding baseline with the National Treasury that fully supports its work.

SOCIAL RESPONSIBILITY

The ASB is funded solely by transfers from the National Treasury, which means that the ASB is fully funded by public funds collected from taxes and other sources. As the ASB is funded through public sources, no specific social responsibility initiatives are implemented.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The ASB continues to operate in a completely virtual environment. Guidance is available to ensure that employees take reasonable care of health and safety while working virtually. Any unsafe working conditions should be reported to the CEO.

During the period under review no violations of the ASB's policy concerning health, safety and other environmental issues were noted.

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The ASB was evaluated against the DTI Specialised QSE Scorecard. Based on the Preliminary report, the ASB is a non-compliant contributor due to not meeting the subminimum points for skills development.

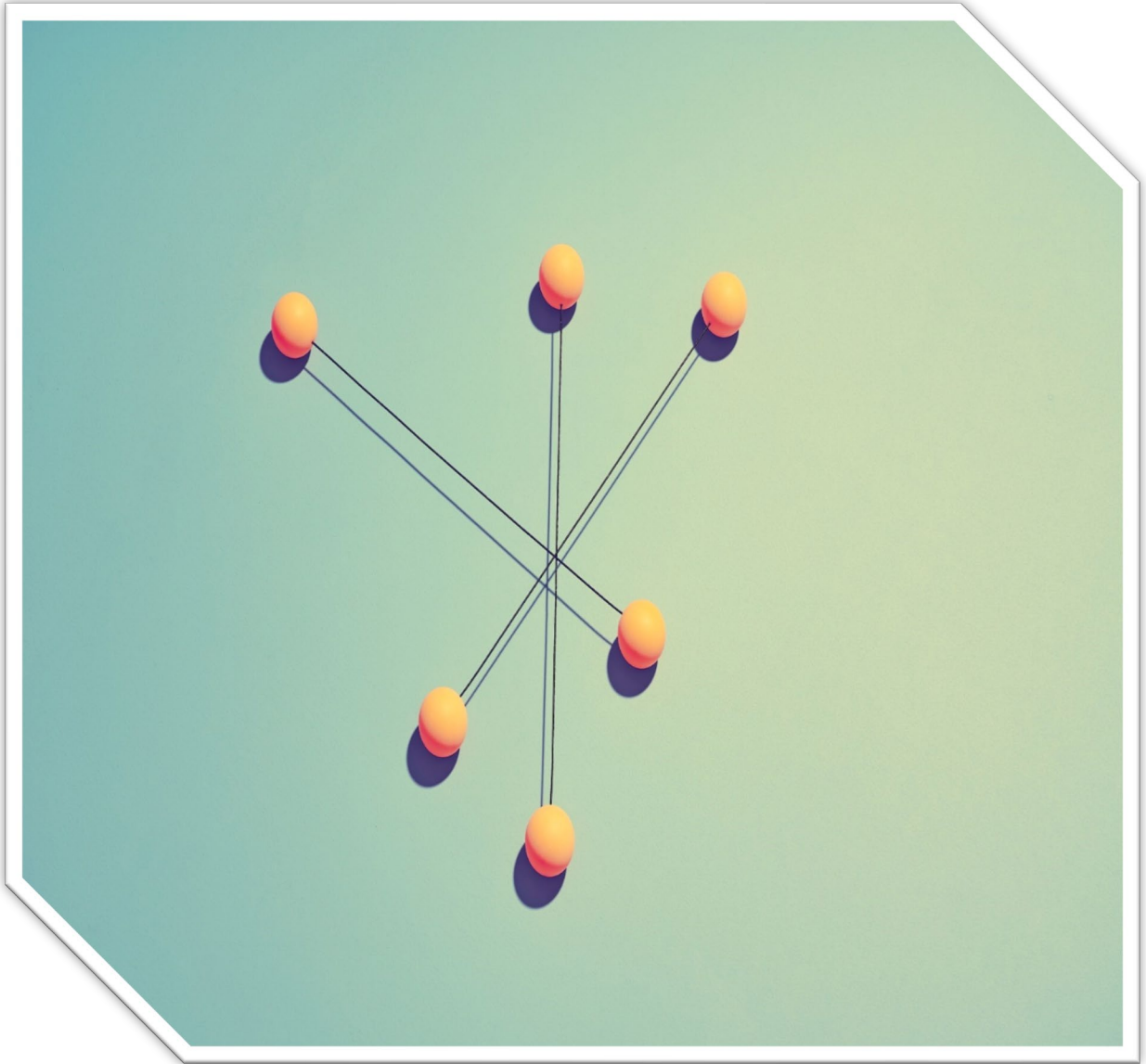
The ASB procurement policies are aligned with the Constitution, the PFMA and Treasury Regulations, the PPPFA and the Regulations (approved in 2022), and the B-BBEE Act.

Table 7: Level of contribution to the B-BBEE Scorecard

Elements	Actual score	Target score
Management control	14	25
Skills development	7.39	30
Enterprise and supplier development	30	30
Socio-economic development	0	15
Overall score	51.39	100

SECTION 5

HUMAN RESOURCE MANAGEMENT



HUMAN RESOURCE MANAGEMENT

Standard-setting is a unique discipline, and working for a standard-setter requires a unique individual.

Standard-setters are limited in number, both nationally and internationally. While there are similarities between standard-setters and other organisations, typically regulators, they are also limited in number. Standard-setting is about acting in the public interest. This means working within a well-defined set of research, development and due process policies, always acting ethically and beyond reproach, listening to others and translating their views into actions; only to repeat the process again.

Working for a standard-setter has both potential benefits and shortcomings. The work of standard-setters is pioneering and inspires innovation. It is also an opportunity to work with likeminded professionals in a professional environment and allows for exposure to different organisations and industries. The time to become proficient in standard-setting means that there is a low staff turnover. This means that promotion may be limited.

From this brief synopsis of the individuals required to be standard-setters and the organisational environment of standard-setters, it is clear that human resource management at the ASB is not straightforward. There is a robust governance framework in place for managing human resources, which includes extensive involvement of the CEO, Operations Committee and Board in appointments, human resource policies and remuneration.

KEY STRATEGIES TO ATTRACT AND RETAIN A SKILLED AND CAPABLE STAFF

There are several reasons why potential employees would want to join the ASB – it is a prestigious organisation that will ensure career advancement outside the ASB, the organisation is people-led which means a key focus on people development, and ensuring a balance of both financial and non-financial rewards.

As noted in the opening remarks, potential candidates require specific skills and competencies and this may take time to acquire. As a result, it is important that the ASB retains its staff. The reasons why employees would want to join the ASB are the same for retaining employees.

HUMAN RESOURCE OVERSIGHT STATISTICS

It has been a year of changes in the staff complement of the ASB. The CEO commenced her role on 1 April 2022, and a new standard-setter started in May 2022. The Technical Director role was vacant for the entire year. The vacancy existed firstly while the optimal staff structure was considered, with the remainder of the time spent on the recruitment process. As this is a senior appointment, a rigorous recruitment process was followed. Ms E van der Westhuizen was appointed to the role of Technical Director from 1 April 2023.

Plans to fill the vacancy left by E van der Westhuizen's promotion were well advanced. The ASB will also consider supplementing the staff capacity in the next year by appointing a standard-setter on a half-time contract basis.

While there have been changes, many are internal changes. The ASB's staff include a number of long-serving staff members, who have a wealth of institutional memory and standard-setting history.

Table 8: Employees' years of service

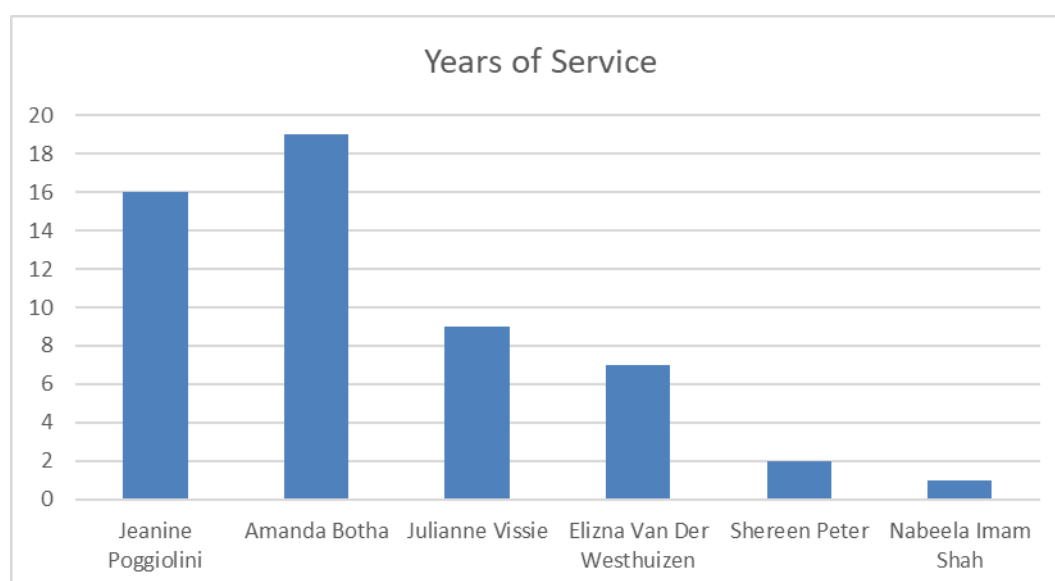


Table 9: Employment and vacancies as at 31 March 2023

Level	2023		2022		Vacancy rate as a % - 2023
	No. of employees	Approved posts	No. of employees	Approved posts	
Management	1	2	2	2	50%
Professional qualified	3	3	2	3	0
Skilled	1	1	1	1	0
Semi-skilled	1	1	1	1	0
TOTAL	6	7	6	7	14.28%

Table 10: Employment changes

Level	Employment beginning of period	Appointments	Terminations	Employment end of period
Management	1	0	0	1
Professional qualified	2	1	0	3
Skilled	1	0	0	1
Semi-skilled	1	0	0	1
TOTAL	5	1	0	6

REMUNERATION OF EMPLOYEES

Remuneration is the most tangible reward provided to employees. A robust Remuneration Framework (Framework) was developed in 2021 on the request of the Minister of Finance at the time. A submission was made to the Minister in 2021 and feedback is still awaited.

The Framework, and the policies adopted by the Board to support the Framework, are fair, equitable and aimed at motivating high levels of performance. Remuneration and reward policies ensure consistency and fairness. Staff members are remunerated equally for the same work, or work of equal value. Employees are recognised in accordance with the current skills and competency levels while giving them the opportunity to develop.

Remuneration is based on the total cost to the ASB, with a requirement to belong to a medical aid. Salary increases are determined by work performed, growth in the job profile and cost of living adjustments. Progressions in pay are acknowledged through the use of pay scales above or below a market median.

Details of the CEO's and Technical Director's remuneration are provided in the notes to the financial statements.

Table 11: Personnel cost (on a cost-to-company basis) per salary band

Level	Personnel expenditure R'000	% of personnel expenditure to total personnel cost	No of employees	Average personnel cost per employee R'000
Management	3 025	32%	1	3 025
Professional qualified	4 923	52%	3	1 641
Skilled	1 032	11%	1	1 032
Semi-skilled	449	5%	1	449
TOTAL	9 428		6	

REMUNERATION AND REWARDING PERFORMANCE

The ASB's incentive scheme acknowledges both organisational and individual performance. This is part of a performance management process where employees are compensated for sustained performance that helps deliver timely and tangible results.

Clear and measurable objectives are set for the ASB at the beginning of the period based on the performance objectives set in the APP. The key performance indicators are agreed by the Board and are filtered through the organisation with each employee aligning their personal personnel objectives according to their role. This allows each employee to understand how his or her role contributes to the overall success of the ASB.

The Chairperson evaluates the CEO's performance, while the Operations Committee oversees the performance reviews and the remuneration of the Secretariat. The Operations Committee, in its capacity as remuneration committee, makes recommendations to the Board on proposed changes to remuneration and incentives considering affordability and budgetary constraints. The Board makes the final decision.

DEVELOPMENT OF EMPLOYEES

The ASB has an active interest in developing its employees. Ongoing development ensures that they remain relevant in the standard-setting activities, but are also able to fulfil different responsibilities should they need to.

Each employee identifies their development plan at the start of the year in consultation with their line manager. The plan identifies areas of development and interventions to address these. The interventions could include coaching, external training or on-the-job training.

Table 12: Training costs

Personnel expenditure (R'000)	Training expenditure		No. of employees trained	Average training cost per employee (R'000)
	(R'000)	% of personnel cost		
9 428	136	1.44%	2	68

EMPLOYMENT EQUITY

The ASB supports employment equity in the workplace and regards diversity as an asset. The ASB is committed to ensure greater diversity among its employees, particularly in terms of demographic representation and gender balance. As the ASB has many long serving employees, employment equity is a key consideration when employing new staff members.

The demographic composition of the Secretariat at the reporting date was as follows:

Table 13: Employment equity

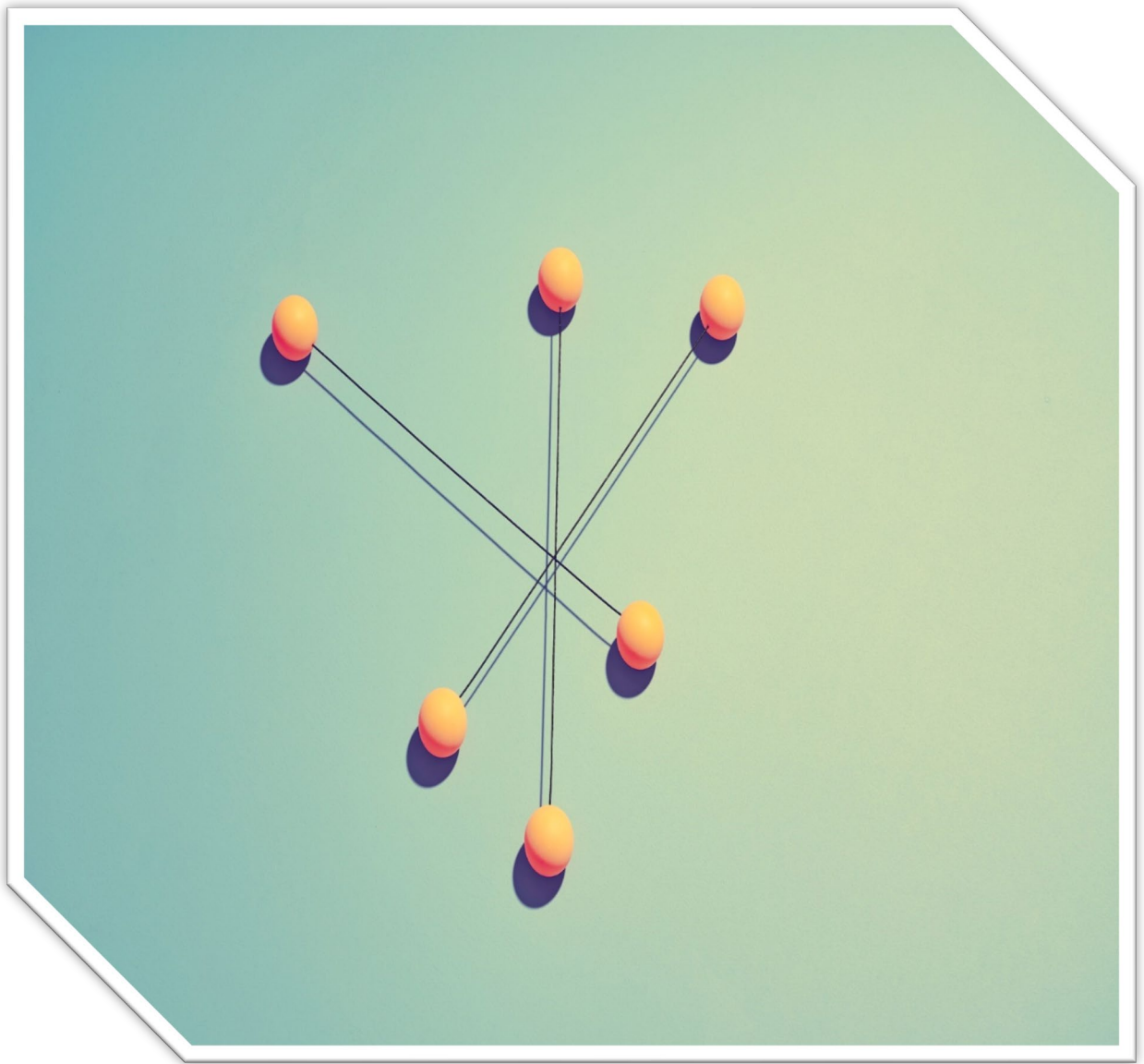
Level	Females			
	African	Coloured	Indian	White
Management	0	0	0	1
Professional qualified	0	0	1	2
Skilled	0	0	1	0
Semi-skilled	0	1	0	0
TOTAL	0	1	2	3

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

There were no matters of misconduct or disciplinary action to report.

SECTION 6

FINANCIAL INFORMATION



REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2023.

Background

The Audit Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.

The Committee has adopted formal terms of reference as the Committee charter and has fulfilled its responsibilities for the year, in compliance with its terms of reference.

Membership and Attendance

The Committee consists solely of independent members who are financially literate and have appropriate experience.

The Committee met 6 times during the year.

#	Meeting	Meeting Date
1	Special Audit Committee (Discussion of unaudited AFS and Quarter 4)	24 May 2022
2	Special Audit Committee (Discussion of External Audit Reports)	15 June 2022
3	Ordinary AC meeting to review Quarter 1	11 August 2022
4	Ordinary AC meeting to review Quarter 2	07 November 2022
5	Ordinary AC meeting to review Quarter 3	10 February 2023
6	Special Audit Committee (Discussion of Accounting Policies)	20 March 2023

The following is a list of its members, qualifications and a record of their attendance:

Name of member	Qualifications	Appointment Date	Number of meetings attended
Ms Pumla Mzizi (Chairperson)	BCom Honours in Transport Economics CA (SA) BCompt Honours CTA BBusSci Finance Honours	1 October 2018	6
Mr Brandon Furstenburg	Master of Science (MSc) in Financial Management, Master of Commerce (MCom) in Economics,	1 June 2016 (Resigned 30 April 2022)	0

Name of member	Qualifications	Appointment Date	Number of meetings attended
	BCom Hons, Bcom and FAIS exams: RE1, RE3 & RE5. M.InstD		
Mr Freddy Sinthumule	Diploma in State Finance and Auditing B. Com Accounting Masters of Business Administration (MBA) with special project on PFMA	16 July 2019	6
Mr M Geswint	B. Admin (Majors: Public Admin & Economics) B. Admin (Hons) Economics	24 May 2022	5

The Audit Committee's Responsibilities

The Committee is satisfied that it has discharged its responsibilities of, amongst others, reviewing the following:

- (a) the effectiveness of the internal control systems;
- (b) the effectiveness of the internal audit function;
- (c) the risk areas of the ASB's operations to be covered in the scope of internal and external audits;
- (d) the adequacy, reliability and accuracy of the financial information provided to management and other users of such information;
- (e) any accounting and auditing concerns identified as a result of internal and external audits;
- (f) the ASB's compliance with legal and regulatory provisions; and
- (g) the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

Risk Management

Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.

Internal Audit was guided by the risk profile, provided by management, critical audit areas and managements inputs in the formulation of its 3-year strategic and annual plans.

A risk register is updated quarterly to ensure that all the major risks including emerging risks facing the entity are effectively managed. The Committee provides oversight on risk management on a quarterly basis.

Internal Audit

The Committee approved a risk based 3 year rolling Strategic Plan and an Annual Internal Audit Coverage Plan for period 1 April 2022 to 31 March 2023. Three (3) audits were planned and conducted during the year and one ad hoc assignment was completed.

The Committee reviewed all the internal audit reports; and is satisfied:

With the activities of the internal audit function, including its annual work program, co-ordination with the external auditors and the responses of management to specific recommendations.

That internal audit is conducted in accordance with the standards set by the Institute of Internal Auditors

The Committee is therefore of the opinion that Internal Audit is independent, has provided objective assurance and consulting activities that were designed to add value and improve the entity's operations; and it is satisfied with the effectiveness of the internal audit function.

Accounting and Auditing Concerns' Identified by Internal Audit

There are no accounting and auditing concerns that have been noted and brought to our attention.

Nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures, and systems.

The Adequacy, Reliability and Accuracy of the Financial Information

The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal auditors, and Moore Pretoria on behalf of the Auditor-General, that the financial information provided by management to users of such information is adequate, reliable, and accurate.

The external auditors commended management for submitting financial statements that were free from material misstatements and the Committee is satisfied with the effectiveness of the finance function.

External Audit

The Committee has reviewed the independence and objectivity of the external auditors; noted that there were no non-audit services rendered by them during the year. In line with the legislative requirements, we have also considered the external auditors' independence declaration in the auditors' report, "We are independent of the Accounting Standards Board in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct of Auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics

Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards)".

Moore Pretoria has been appointed as the auditor of the Accounting Standards Board until 2026. The Committee reviewed and approved the external audit report, and no accounting and auditing concerns were noted.

The Effectiveness of Internal Controls

The Committee considered all the reports issued by the various assurance providers e.g. Internal and External auditors, Operations Committee, etc. Noted managements' actions in addressing identified control weaknesses and is satisfied with the achievements reported for the year, as all the audit findings were addressed. Considering the above we report that the system of internal control for the period under review is considered to have been adequate.

Compliance with Legal and Regulatory Provisions

The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and the Division of Revenue Act and are satisfied that no material deviations were noted. The Committee also noted managements' policies and procedures to ensure compliance with applicable laws and regulations. The Committee also noted the external auditor's report highlighting that no instances of non-compliance were identified.

General

The Committee has met with the External Auditors to discuss their audit report, to ensure that there are no unresolved issues. We have also reviewed the management responses to the audit issues raised in the External Auditors management report.

The Committee concurs and accepts the conclusions of the External Auditors on the Annual Financial Statements and is of the opinion that the Audited Annual Financial Statements should be accepted and read together with the report of the External Auditors.

We would like to express our appreciation to the Board for their leadership and support, Chief Executive Officer, Internal Audit, External Audit and management for their commitment that led to the achievement of an unqualified audit opinion.



Ms. Pumla Mzizi CA(SA)

Chairperson

26 July 2023

Independent Auditor's Report to Parliament on the Accounting Standards Board

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of the Accounting Standards Board set out on pages 56 to 75, which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Accounting Standards Board as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the Accounting Standards Board in accordance with Independent Regulatory Board for Auditors' *Code of Professional Conduct for Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)*.

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

Other matter

6. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in notes 15 and 16 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the entity. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the entity.

We do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

8. The board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the Audit of the Annual Performance Report

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
13. We selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Pages in the annual report	Purpose
Objective 1	15 - 17	Maintain and enhance existing Standards of GRAP and develop new Standards where gaps are identified.
Objective 2	17	Undertake research to ensure Standards of GRAP respond to broader financial reporting needs.
Objective 3	17 - 18	Influence development of international Standards.
Objective 4	18	Facilitate and encourage stakeholder engagement and support.
Objective 5	19	Manage resources to ensure the Accounting Standards Board is operationally effective.

14. We evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

15. We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

17. We did not identify any material findings on the reported performance information of the objectives selected.

Other matters

18. We draw attention to the matter below. Our opinions are not modified in respect of these matters

Achievement of planned targets

19. Refer to the annual report on pages 14 to 20 for information on the achievement of planned targets for the year and management's explanations provided for the over achievement of targets.

Report on the audit of compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
21. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.
22. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
23. We did not identify any material non-compliance with the selected legislative requirements.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the chairperson's report, chief executive's report, and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
25. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
26. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.
28. We have nothing to report in this regard.

Internal control deficiencies

29. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

30. We did not identify any significant deficiencies in internal control.

Auditor tenure

31. In terms of the IRBA rule published in *Government gazette number 39475* dated 4 December 2015, we report that Moore Pretoria has been the auditor of the Accounting Standards Board for 2 (two) years.

Sindy Jonker CA(SA)

Partner

Registered Auditor

31 July 2023

Pretoria

Annexure – Auditor’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on the reported performance information for selected objectives and on the entity’s compliance with selected requirements in key legislation.

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, we also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board, which constitutes the accounting authority
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Accounting Standards Board to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor’s report. However, future events or conditions may cause an entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
4. We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

5. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Section 51 Section 53 Section 54 Section 55 Section 56 Section 57 Section 66 PFMA SCM Instruction Note no. 01 of 2021/22 PFMA SCM Instruction Note no. 02 of 2021/22 PFMA SCM Instruction Note no. 03 of 2021/22 PFMA SCM Instruction Note no. 04 of 2022/23 PFMA SCM Instruction Note no. 08 of 2022/23 PFMA SCM Instruction Note no. 09 of 2022/23
Treasury Regulations	Regulations 8 Regulations 16A Regulations 30 Regulations 31 Regulations 32 Regulations 33 National Treasury instruction Note no. 01 of 2015/16 National Treasury instruction Note no. 03 of 2019/20 National Treasury instruction Note no. 03 of 2021/22 National Treasury Instruction Note no. 04 of 2015/16 National Treasury Instruction Note no. 04A of 2016/17

Legislation	Sections or regulations
	National Treasury Instruction Note no. 05 of 2020/21 National Treasury Instruction Note no. 07 of 2016/17 National Treasury Instruction Note no. 09 of 2021/22 National Treasury Instruction Note no. 09 of 2022/23 National Treasury Instruction Note no. 11 of 2020/21 National Treasury practice Note no. 05 of 2009/10 National Treasury practice Note no. 07 of 2009/10 National Treasury practice Note no. 11 of 2008/09 National Treasury practice note dated 21 July 2010
Preferential Procurement Regulations of 2017 (PPR)	Paragraph 4 Paragraph 5 Paragraph 6 Paragraph 7 Paragraph 8 Paragraph 9 Paragraph 10 Paragraph 11 Paragraph 12
Preferential Procurement Regulations of 2022 (PPR)	Paragraph 3 Paragraph 4 Paragraph 5
Preferential Procurement Policy Framework Act of 2000 (PPPFA)	Section 1 Section 2
Supply Chain Management Policy	SCM Instruction Note no. 02 of 2021/22
Companies Act No.71 of 2008	Section 45 Section 46 Section 112 Section 129
Competition Act No 89 of 1998	Section 4
Public Service Act	Section 30
Public service regulation	Regulations 13 Regulations 18
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34

Legislation	Sections or regulations
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18
Construction Industry Development Board Regulations	Regulations 17
Employment of Educators Act	Section 33

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by Moore Pretoria.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury where relevant to the size and operations of the ASB. The Annual Financial Statements have been prepared in accordance with the Standards of GRAP.

Based on the Estimates of National Expenditure published for 2023/2024 over the MTEF period, the ASB will be a going concern as long as this funding is made available.

The Board, as the accounting authority, is responsible for the preparation of the annual financial statements and for the judgements made in this information. The Board is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2023.

The annual financial statements set out on pages 54 to 73, which are prepared on the going concern basis, were approved by the Accounting Authority on 26 July 2023 and were signed on its behalf by:



Mrs Jeanine Poggiolini

CEO

26 July 2023



Ms P Moalusi

Chairperson

26 July 2023

ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Note	2023	2022
Revenue			
Non-exchange revenue			
Transfer	1	12 826 759	13 153 887
Exchange revenue			
Interest		343 102	196 249
Other revenue		5 895	10 903
		348 997	207 152
		13 175 756	13 361 039
Expenditure			
Employee costs	2	(9 428 307)	(10 524 147)
Operating expenditure	3	(2 665 336)	(2 930 400)
Depreciation and impairment	8	(96 342)	(90 495)
		(12 189 985)	(13 545 042)
Surplus/(Deficit) for the year		985 771	(184 003)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

Figures in Rand	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	6	5 672 506	1 925 181
Receivables from exchange transactions	7	70 612	-
		5 743 118	1 925 181
Non-current assets			
Equipment	8	96 421	181 263
Total assets		5 839 539	2 106 444
Net assets and liabilities			
Liabilities			
Current liabilities			
Payables from exchange transactions	9	228 940	191 248
Unused surplus to be surrendered		3 119 777	1 377 536
Employee benefit accruals	10	1 323 788	356 397
Total liabilities		4 672 505	1 925 181
Net assets		1 167 034	181 263
Accumulated surplus		1 167 034	181 263
Total net assets and liabilities		5 839 539	2 106 444

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Accumulated surplus	Total net assets
Balance on 01 April 2021	365 266	365 266
Deficit for the year	(184 003)	(184 003)
Balance on 01 April 2022	181 263	181 263
Surplus for the year	985 771	985 771
Balance on 31 March 2023	1 167 034	1 167 034

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Note	2023	2022
Cash flow from operating activities			
Cash receipts			
Transfer		14 569 000	14 362 000
Other revenue		5 895	10 903
		14 574 895	14 372 903
Cash payments			
Employees		(8 459 547)	(10 761 670)
Refund of unused resources		-	(2 675 000)
Suppliers and other service providers		(2 699 625)	(2 702 311)
		(11 159 172)	(16 138 981)
Net cash flows from operating activities	11	3 415 723	(1 766 078)
Cash flows from investing activities			
Interest received		343 102	196 249
Acquisition of equipment	8	(11 500)	(88 067)
Proceeds from disposal of fixed assets	4	-	18 500
Net cash flows from investing activities		331 602	126 682
Net increase/(decrease) in cash and cash equivalents		3 747 325	(1 639 396)
Cash and cash equivalents at the beginning of the year		1 925 181	3 564 577
Cash and cash equivalents at the end of the year	6	5 672 506	1 925 181

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Original budget	Adjustment	Note	Final Budget	Actual	Variance	Note
Revenue							
Grant	14 569 000	-		14 569 000	12 826 759	1 742 241	19a
Interest	100 000	-		100 000	343 102	243 102	19b
Other revenue	-	-		-	5 895	5 895	
	14 669 000	-		14 669 000	13 175 756	1 493 244	
Operating expenditure	14 669 000	-		14 669 000	12 189 985	2 479 015	
Staff costs	11 649 898	(600 000)	18	11 049 898	9 428 307	1 621 591	19c
Board remuneration	821 685	-		821 685	827 372	(5 687)	
Operating costs	2 197 417	600 000	18	2 797 417	1 934 306	863 111	19d
Surplus or (Deficit) for the year	-	-		-	985 771	(985 771)	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

The ASB is a juristic person established in accordance with the PFMA and listed in Schedule 3A of that Act. The principal activity of the Board is the setting of Standards of GRAP.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation and presentation of these financial statements are set out below. The accounting policies described below relate to the material activities of the ASB. As the ASB is a standard-setter, its significant accounting policies relate to revenue recognition and employee-related costs. A statement of all the accounting policies used by the ASB is published on the [ASB's website](#).

BASIS OF PREPARATION

The annual financial statements are prepared in accordance with Standards of GRAP, as set out in the Directive on *Determining the GRAP Reporting Framework*. They are presented in South African Rand, which is the functional currency of the Republic of South Africa.

Assets and liabilities are measured using the historical cost measurement basis, unless stated otherwise.

EMPLOYEE BENEFITS

Employee benefits include monthly salaries, leave entitlements, performance bonuses, and post-retirement benefits.

LEAVE ENTITLEMENT

Employees' entitlement to annual leave represents the present obligation that the ASB has as a result of employees' services provided up to the reporting date. The accrual is calculated using salary rates effective at the reporting date.

An accrual is recognised for long service leave awarded to employees who have completed ten years of unbroken service and every five years thereafter. The accrual is based on the actual leave days granted at the rate of remuneration at reporting date. Long service leave is forfeited if not used within two years after the grant date, including if an employee retires or resigns.

POST-RETIREMENT EMPLOYEE BENEFITS

The ASB contributes to a retirement annuity fund on behalf of some of its employees and is not exposed to any actuarial or investment risk of the fund. As the contributions made are those of the employees from guaranteed remuneration, the contributions paid are expensed as remuneration.

PERFORMANCE AWARDS

The ASB's remuneration framework permits the payment of performance awards when funding is available and other criteria are met. The amount of the award is determined based on organisational and individual performance. The awards are paid after the reporting date. An accrual is raised at year end.

REVENUE

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 reliably measured. It is probable that the benefits from the transfer will flow to the ASB at the start of the financial year. The National Treasury requires, and has a past practice of enforcing the return of, unutilised resources provided to the ASB. As a result, a liability is recognised to return unutilised resources, until such time they are used or returned. After initial recognition, the liability is accounted for as a provision.

Ring-fenced transfers

Ring-fenced transfers are only to be used for the purpose it was given and are returnable if not used. A provision is recognised for the unspent amount. Revenue is recognised as the funds are utilised.

Services received in-kind

The ASB recognises services received in-kind in the statement of financial performance at the fair value of these services, when they are significant to the ASB's operations, and to the extent that a fair value can be determined reliably. Where the services are not significant, and/or the fair value cannot be determined reliably, the nature and type of services received are disclosed.

Services received in-kind by the ASB are not significant to the ASB's activities and are therefore not recognised. These services include shared services with the National Treasury, the time provided by Board members in public service, the time provided by volunteer project group members, training provided to the ASB employees and the hosting of events by other organisations.

BUDGET INFORMATION

The financial statements and the budget are not prepared on the same basis of accounting, as non-cash items like depreciation and leave pay accrual are excluded from the budget. The classification basis used in the budget and financial statements are the same – both classify items by their economic nature. The budget and financial statements are prepared for the same period.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

The information is presented in accordance with Instruction Note 4 of 2022/2023.

IRREGULAR EXPENDITURE

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore are provided in the notes. The information is presented in accordance with Instruction Note 4 of 2022/2023.

Irregular expenditure receivables (if any) are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	2023	2022
1. Transfer		
The transfer from the National Treasury is subject to conditions. Unutilised funds are returned to the National Treasury unless approval is received for their retention. The obligation to repay unused funds is recognised as a liability on the statement of financial position.		
Voted funds received	14 569 000	14 362 000
Surplus from previous reporting period retained	1 377 536	169 423
Surplus to be surrendered to National Treasury	(3 119 777)	(1 377 536)
Total	12 826 759	13 153 887

2. Employee costs

Guaranteed salary	8 204 275	10 359 642
Leave paid	-	388 079
Performance bonuses paid	244 064	-
Contribution to UIF	12 576	13 949
Employee costs	8 460 915	10 761 670
Movement in leave accrual	102 071	(237 523)
Movement in performance bonus	865 321	-
	9 428 307	10 524 147

Figures in Rand	2023	2022
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3. Operating expenditure includes

Auditors' remuneration – Fees	80 500	106 569
Domestic travel	16 436	2 417
Foreign travel	537 569	121 690
Operating lease expense	-	44 667
Lease cancellation	-	162 841
Loss on disposal of assets	-	236
Board remuneration	827 372	891 862

From the Board's materiality assessment in March 2023, it was decided to disclose the Board's remuneration in the financial statements (refer to note 14). The total Board remuneration is disclosed in this note. The comparative amount is disclosed to conform to the current period presentation.

4. Disposal of fixed assets

Office closure	-	162 841
Other disposals	-	18 736
Total net book value of disposed assets	-	181 577
Exchange of assets – office closure	-	(162 841)
Proceeds from disposal	-	(18 500)
Loss on disposal of assets	-	236

5. Taxation

The ASB is exempt from income tax in terms of Section 10(1)(cA)(i) of the Income Tax Act 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.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

Financial assets

Cash at bank	42 254	18 244
Interest bearing call account	4 630 252	1 906 937
Trust account	1 000 000	-
	5 672 506	1 925 181

The cash in the Trust account is restricted and is to be used to pay for work performed by the service provider appointed to assist with the Financial Instruments Reference Group. The project is scheduled to end in March 2026. Refer to note 13 on financial instruments for how risk is managed in relation to the financial assets listed above.

7. Receivables from exchange transactions

Prepayments	70 612	-
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8. Equipment

	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Furniture and fittings	31 206	(10 623)	20 583	31 206	(8 031)	23 175
Office equipment	240 843	(165 005)	75 838	229 343	(71 255)	158 088
Total	272 049	(175 628)	96 421	260 549	(79 286)	181 263

	Furniture and fittings	Office equipment	Total
Balance 1 April 2021	183 736	181 531	365 267
Additions	-	88 067	88 067
Disposals at net book value	(146 422)	(35 154)	(181 576)
Depreciation and impairment	(14 139)	(76 356)	(90 495)
Balance 1 April 2022	23 175	158 088	181 263
Additions	-	11 500	11 500
Depreciation and impairment	(2 592)	(93 750)	(96 342)
Balance 31 March 2023	20 583	75 838	96 421

9. Payables

Figures in Rand	2023	2022
Accruals for goods and services	228 940	188 478
Payroll related accruals	-	2 770
	228 940	191 248

Refer to note 13 on financial instruments for how risk is managed in relation to the financial liabilities listed above.

10. Employee benefit accruals

Accrual for leave pay	458 467	356 397
Accrual for performance bonuses	865 321	-
Total employee benefit accruals	1 323 788	356 397

Accrual for leave pay

Opening balance	356 397	593 920
Leave entitlement for the year	856 730	908 821
Leave paid out	-	(388 079)
Change in estimate	34 722	16 212
Leave utilised during the year	(789 382)	(774 477)
Closing balance	458 467	356 397

Accrual for performance bonuses

Opening balance	-	-
Increase in accrual	1 109 385	-
Paid during the year	(244 064)	-
Closing balance	865 321	-

The Operations Committee, in its capacity as remuneration committee, makes recommendations to the Board to reward performance.

The CEO's performance bonus of R173 412 for 2022, while she was the Technical Director, was not paid in 2023 and is part of the accrual for bonuses. The payment of her bonus requires approval by the Minister of Finance.

No performance bonuses were accrued or paid in the previous reporting period.

Figures in Rand	2023	2022
11. Net cash flows from operating activities		
Surplus/(deficit) for the year	985 771	(184 003)
Adjustments for:		
Depreciation and impairment	96 342	90 495
Loss on sale of assets	-	236
Increase/(Decrease) in employee benefit accruals	967 391	(237 524)
Interest revenue	(343 102)	(196 249)
Transfer of assets with lease cancellation	-	162 841
Changes in working capital:		
Receivables from exchange transactions	(70 612)	(169 591)
Payables from exchange transactions	37 692	(104 578)
Unused amount to be surrendered	1 742 241	(1 466 887)
	3 415 723	(1 766 078)

12. Financial instruments**Financial assets**

Cash and cash equivalents	6	5 672 506	1 925 181
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Financial liabilities

Payables from exchange transactions	9	228 940	191 248
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13. Financial risk management**Credit risk***Cash and cash equivalents*

The ASB holds cash and cash equivalents with investment grade rated registered banking institutions, which it regards as having insignificant credit risk.

A minimal amount is kept in the transactional bank account. The remainder of the cash and cash equivalents is held at the CPD, which has the same rating as the South African Reserve Bank. Funds deposited with the CPD are kept at a maximum to maximise interest earned. The interest rates on this account fluctuate in line with movements in current money market rates. Rates earned on funds deposited with the CPD are higher than those earned on funds in the short-term money market account.

In March 2023, cash was set aside in a Trust account managed by a firm of attorneys for work to be performed by the service provider appointed as the Financial Instruments Reference Group specialist. The Trust account is with an investment grade rated registered banking institution, which the ASB regards as having insignificant credit risk. Interest is earned on the Trust account.

Liquidity risk*Payables from exchange transactions*

The ASB is exposed to liquidity risk for the payment of its payables. These 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 at the CPD.

14. Related parties

2023	Salary	UIF contribution	Travel allowance	Bonuses accrued	Total
Figures in Rand					
CEO – J Poggiolini	2 572 500	2 125	27 500	390 079	2 992 204

The Technical Director position remained vacant for the reporting period.

Included in the CEO's performance bonus is an amount of R173 412 for 2022 which was awarded to her while she was the Technical Director. This was not paid in 2023 and is part of the bonuses accrued amount.

2022	Salary	UIF contributions	Leave paid	Total
Figures in Rand				
CEO – E Swart	2 861 287	2 069	266 829	3 130 185
Technical Director – J Poggiolini	2 139 280	2 069	-	2 141 349
	5 000 567	4 138	266 829	5 271 534

Board remuneration

Board and Committee members are related parties. From the Board's materiality assessment in March 2023, it was decided to disclose the Board's remuneration in the financial statements. The comparative amounts are disclosed to conform to the current period presentation.

Board

2023	Fee for chair	Fee for meeting	Total
Figures in Rand			
C Braxton	126 148	183 834	309 982
W de Jager	-	180 715	180 715
N Themba	-	137 589	137 589
A van der Burgh	-	132 807	132 807
P Mzizi	-	66 279	66 279
	126 148	701 224	827 372

2022	Fee for chair	Fee for meeting	Total
Figures in Rand			
C Braxton	126 148	245 881	372 029
W de Jager	-	178 823	178 823
N Themba	-	37 428	37 428
A van der Burgh	-	146 073	146 073
Dr P Masegare	-	91 231	91 231
P Mzizi*	-	66 279	66 279
	126 148	765 714	891 862

*P Mzizi is the chair of the Audit Committee and is paid to attend the Board meetings. All other members disclosed are members of the Board of the ASB.

Refer to Section 4 on Governance for disclosure of the 2023 remuneration of the Committees per Board member. Board members employed by national, provincial or local government or other organs of state are not remunerated.

Other related parties

The Minister of Finance is the Executive Authority, and the National Treasury has the responsibility to fund the activities of the ASB by way of a transfer listed in the Estimates of National Expenditure. The ASB also receives Audit Committee and internal audit services that are paid for by the National Treasury.

As the ASB is a national public entity and controlled by the national government, any other 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.

15. Fruitless and wasteful expenditure

Figures in Rand	2023	2022
Confirmed expenses	-	21 409

16. Irregular expenditure

Confirmed expenses	-	86 332
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17. Services received in-kind

The ASB received services in-kind from:

- The National Treasury for the shared internal audit activity and the Audit Committee. The annual report of the National Treasury includes information on attendance and remuneration of the Audit Committee members.
- Members of project groups who are not remunerated by the ASB for their contributions to standard-setting. Refer to the ASB's website for the details of support received from members.
- Board members who are employees of organs of state who are not remunerated. The estimated amount for the services in-kind received from Board members are R370 038 (2022: R326 092).
- W.Consulting for allowing the Secretariat to attend training courses free of charge.
- Several organisations who host ASB events, meetings and workshops.
- The National Treasury to utilise its office space and meeting rooms. These services were not utilised during the year.

18. Changes from original budget to final budget

The Board approved the budget and submitted it to the Executive Authority in terms of section 53(1) of the PFMA. The original approved budget was revised in June 2022. An amount of R600 000 was reallocated from staff costs to operational expenditure. The reallocation was due to underspending on staff costs as the Technical Director position was vacant for the year.

19. Explanations of variances between final budget and actual amounts

Explanations for significant variances between the final budget and actual amounts incurred are:

- a. The key drivers for the variance are the underspending on (a) employee costs as the Technical Director position was vacant, and (b) legal fees were not spent as the legal case was inactive for six months. Ringfenced funds received for the legal case were not used, and are recognised as a liability on the Statement of Financial Position. An amount of R1 000 000 was set aside for the funding of the Reference Group on Financial Instruments. The expenditure on this project will be incurred over the next three years.
- b. Interest received is higher than budgeted due to the surplus from 2022 that was retained resulting in a higher cash balance and the underspending in the current year expenses. The unused funds were invested in the CPD account which attracted higher interest rates than budgeted, and due to increases in interest rates over the year.
- c. The underspending on staff costs are largely due to the Technical Director position being vacant for 2022/2023. Some of the funds were reallocated (see note 18) and some were set aside for the Reference Group on Financial Instruments.
- d. The actual legal expenses were lower than budgeted because of delays in the legal case and uncertainties in budgeting for legal expenses.

Underspending on various activities was a result of delays in awarding contracts. Procurement took significantly longer during the year, firstly to align existing policies with the new PPPFA Regulations; secondly, all procurement above R2 000 is more onerous than in prior years.

20. Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

	Operating	Investing	Total
Actual amount on a comparable basis in the Statement of Comparison of Budget and Actual Amounts	642 669	343 102	985 771
Bases differences	2 773 054	(11 500)	2 761 554
Net cash flows in the Cash Flow Statement	3 415 723	331 602	3 747 325

21. Subsequent events

There are no subsequent events between reporting date and the date financial statements were authorised for issue, that require adjustments or disclosure in the financial statements.



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