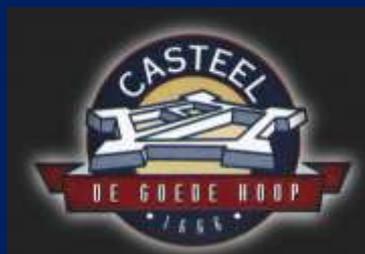


CASTLE CONTROL BOARD



ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2011

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CONTENTS

1.	INTRODUCTION	5
1.1	Background	
1.2	Statement by the Chairperson of the Castle Control Board	
1.3	Submission of the annual report to the Executive Authority	
1.4	Applicable Acts and other information	
1.5	Composition of the Castle Control Board	
1.6	Vision and mission	
1.7	Statement of responsibility	
2.	MANAGEMENT REPORT	9
2.1	Events at the Castle	
2.2	Visitors	
2.3	Castle operational management	
2.4	Maintenance, preservation and protection of the Castle	
3.	REPORT ON PREDETERMINED OBJECTIVES	11
3.1	Highlights	
3.2	Department of Defence support	
3.3	Strategic objectives	
4.	CORPORATE GOVERNANCE	18
4.1	Castle Control Board	
4.2	Policy development and implementation	
4.3	Report of the audit committee	
5.	HUMAN RESOURCES MANAGEMENT REPORT	23
5.1	Permanent employees	
5.2	Contract workers	
6.	FINANCIAL STATEMENTS	24
	Report of the Auditor-General	
	Statement of financial performance	
	Statement of financial position	
	Statement of changes in net assets	
	Cash flow statement	
	Accounting policies	
	Notes to the financial statements	



1. INTRODUCTION

1.1. Background

The Castle of Good Hope was started in 1665 and from then on witnessed the coming and going of governments, as can be seen by the array of six foreign and local flags on Leerdam bastion, where it is visible to tens of thousands who daily visit the Mother City from all parts of the world. For almost three quarters of that period the Castle itself was the seat of power, from where policies regarding economy, defence, justice and education were administered. Admittedly, human rights and sport were not among the portfolios of ministers in power at the time.

The past year was a memorable one for all involved with the Castle, in which we continued to pursue and achieve our duties and dreams in challenging conditions, while competing with the Cape's other famous attractions like Table Mountain, Cape Point and the Waterfront. And then there was the FIFA World Cup.

Cape Town was fortunate to be one of the host cities, and the interest in this great international event was intense. The Parade, just outside the Castle's main gateway, where in the old days the garrison and civil militia grimly drilled to the music of drums and bugles, was turned into a fan park with thousands of enthusiasts in festive spirit, watching the matches on huge TV screens, cheering their favourites, waving flags and sounding *vuvuzelas*. And the background to it all, every time, was the stately ramparts of the Castle of Good Hope. The tension during the final between the Netherlands and Spain was reminiscent of the Eighty Years War (1568-1648) in which the former won its independence from the latter. The Cape was Dutch, the Parade was Orange, and it was said that so many Dutchmen have not been seen here since the time of the Batavian Republic.

The festival provided the Castle with an opportunity to co-operate with City council by accommodating below our own walls the scores of colourful stalls of informal merchants that were temporarily removed from the Parade, which gave the Castle a decidedly Eastern appearance for some months. We also provided parking for the City's emergency and crowd control vehicles, and welcomed through our turnstiles the spectators who wanted to visit the quaint old castle they had noticed in the background.

1.2 STATEMENT BY THE CHAIRPERSON OF THE CASTLE CONTROL BOARD

The Castle Control Board has made a positive resolution towards transformation during the financial year 2010/11 in terms of complying to National Treasury regulations with the key focus on corporate governance. The Board has shown progress in this regard and as a result of the drive to rectify and align corporate governance, as stipulated in the King III report, we are now better positioned than ever to deliver our mission.

As a public entity under the Minister of Defence and Military Veterans, the Board also attempted to align itself with National Government's Medium Term Strategic Framework (STMF) outcomes, with specific reference to Outcome 1 (Improved quality basic education) and Outcome 6 (An efficient, competitive and responsive economic infrastructure network).

During the financial year 2010/11 the Board has made significant progress in the predetermined Castle Control Board priorities in line with the strategic objectives as stipulated in the Castle Management Act.

Specialist heritage consultants established a maintenance management plan with the financial assistance of the Department of Public Works enabling the Board to execute the protection of the fabric of the Castle.

A number of new policies, procedures and guidelines were also established and implemented during the year under review resulting in enhanced compliance to National Treasury Regulations as well as enhancing the smooth functioning of the Castle in line with national and international best practices.

South Africa also hosted a highly successful 2010 FIFA World Cup, which proved an ideal platform to display our country's culture to the world. The World Cup provided occasions to strengthen social cohesion in our diverse culture and the Castle featured prominently due to close proximity to the Grand Parade Fan Park with thousands of local and international tourists exposed to our Castle.

The Castle Control Board has also made advancement in the negotiations to manage the *Het Bakhuis* function and venue hire facility at the Castle therefore ensuring that all sources of income generated in the Castle are reinvested for the daily management and therefore increasing self-sustainability of the Castle of Good Hope.

Focus was also placed on service delivery in terms of the eight Batho Pele principles therefore rendering a high standard of professional ethics, providing service impartially, utilising resources efficiently and effectively and responding to the public's enquiries.

I would like to express my gratitude to the Castle Control Board, the Castle Section, all stakeholders and primarily the public for making this one of the most successful years in our history. On a tragic note, the untimely passing of a friend and member of the Castle Control Board, Mrs Beverley Crouts-Knipe, has left the Board without a member valued for her unlimited energy, enthusiasm and integrity.

In conclusion, I would like to thank the Minister of Defence and Military Veterans and her staff for their continued support.

1.3 Submission of the annual report to the Executive Authority

In accordance with the provisions of the Public Finance Management Act, 1999 (Act 1 of 1999), we are to submit for presentation to the Minister of Defence and Military Veterans, the Castle Control Board Annual Report for the financial year ended 31 March 2011.

1.4 Applicable Acts and other information

This report is submitted in compliance with the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996); Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999); Castle Management Act, 1993 (Act 207 of 1993); Treasury Regulations and other applicable Acts and Regulations.

The Defence Endowment Property and Account Act, 1922 (Act 33 of 1922) transferred the Castle to the Republic of South Africa for the benefit of defence force organisations, establishments and land defences, or to conserve the value of such property. Since then the Castle of Good Hope has been governed and managed by the Minister of Defence.

The Castle Management Act, 1993 (Act 207 of 1993) provides for the Castle Control Board to govern and manage the Castle of Good Hope on behalf of the Minister of Defence and Military Veterans and deal with the aspirations and concerns of all stakeholders.

The National Heritage Resources Act, Act 25 of 1999, provides for the management of the Castle as a national heritage site.

1.5 Composition of the Castle Control Board

In terms of the referred to Castle Management Act, the Castle of Good Hope has been placed under the juristic control of the Castle Control Board, which should comprise representatives of the various national and provincial stakeholders. The following entities are currently represented in the Castle Control Board (CCB):

Representative of the Department of Defence	Major General J.T. Nkonyane (Chairperson)
Representative of the Cape Town Regional Chamber of Commerce and Industry	Mr R.M. Hudson-Bennett (Vice-Chairperson)
Representative of the Iziko Museums of Cape Town	Professor H.C. Bredekamp (retired) Ms R. Omar
Representative of the Department Of Public Works	Mr F. Johnson
Representative of the South African Heritage Resources Agency	Ms B. Crouts-Knipe
Officer Commanding Army Support Base Western Cape	Colonel J.P.M. Kobbie
Representative of the City of Cape Town	Mr D. Hart
Representative of the South African Tourism Board (Cape Town Routes Unlimited)	Vacant
Two representatives appointed by the Minister of Defence	Adv D. Mitchell Ms A. Aggenbach
Representative of the Western Cape Provincial Legislature	Mr C. Dowman
Executive Director	Vacant
Secretary	Captain F. Morkel

With all efforts being made to fill vacant positions on the Board within the year under review, the representative of the South African Tourism Board (Cape Town Routes Unlimited) remains vacant as from June 2009. The Board has to date received no reasons from Cape Town Routes Unlimited for the member's resignation.

Board members were appointed in a staggered fashion to ensure continuity on a strategic guidance level and during September 2010 two members were re-elected for another two year term.

Professor Jattie Bredekamp, the CEO of Iziko Museums of Cape Town, retired during the year under review and the sudden death of the Regional Manager of SAHRA, Beverley Crouts-Knipe, has been received with regret and sadness. Both members made valuable contributions and paved the way to a truly representative Castle Control Board.

1.6 Vision and mission

Vision for the Castle Control Board

As the management board for the Castle of Good Hope, the Castle Control Board strives for the Castle to be a centre of global significance that is the epitome of social, cultural and military heritage, accessible to all citizens of South Africa and the world. The Board seeks to ensure that the Castle will be the centre of national pride for a "nation of good hope"; an internationally known and recognised cultural and heritage centre for ubuntu and human rights recognition; and a smooth functioning, self-sustaining "must-see" visitor and learner destination.

Mission of the Castle Control Board

The Castle Control Board is a service orientated public entity, striving to optimise the Castle's tourism potential and accessibility to the public and to preserve and to protect its cultural and military heritage.

1.7 Statement of responsibility

The Castle Control Board members are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through quarterly Board meetings.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the entity's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive reporting system operating within strict deadlines and an appropriate control framework.

The Auditor-General is responsible for reporting on the financial statements.

The board members believe that the entity will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the entity's annual financial statements.

The annual financial statements of the Castle Control Board for the year ended 31 March 2011 set from paragraph 6 were approved by the Board on 25 May 2011 and are signed on its behalf by -



**(MAJOR GENERAL J.T. NKONYANE)
CASTLE CONTROL BOARD: CHAIRPERSON**



**(MR R.M. HUDSON-BENNETT)
CASTLE CONTROL BOARD: VICE-CHAIRPERSON**



2. MANAGEMENT REPORT

2.1 Events at the Castle

During the year under review, the Castle Control Board endeavoured to increase the public profile and positive perception across all sectors of the community by promoting the Castle as an attractive, user friendly tourist destination but also available to the business and corporate community as high profile conference and function venue through the implementation of effective marketing processes by utilising various opportunities to establish projects and programmes as marketing tool to the public.

This year saw the hosting of many events, of which the World Cup Soccer inevitably received the most attention. This prestigious event certainly created an atmosphere for celebration of a nation in union. The Grand Parade was the setting for the Soccer Fanpark of which the Castle of Good Hope formed the backdrop. Although the Castle showed an increase in visiting numbers for June 2010, the figure for July 2010 decreased, which is attributed to decreased school outings arising from the extended school holiday period.

The Ghoema and Glitter exhibition focused on the history of the Cape Minstrels and was officially opened on 05 June 2010 to coincide with the Soccer World Cup event. Iziko Museums of Cape Town hosted the exhibition and utilised the Castle of Good Hope as one of its exhibition venues.

The Cape Town Military Tattoo has become a regular event on the Cape Town calendar and was well supported by the general public. The sixth Cape Town Military Tattoo was held from 3 to 6 November 2010. The five regiments stationed at the Castle of Good Hope, the SA Army Band Cape Town as well as various new acts, which included the New Addition Drum Core participated in the event. The Cape Town Military Tattoo was fortunate to market their event during the Soccer World Cup and utilised the Castle of Good Hope by performing various acts to foreign and local tourists.

The attendance by the Minister of Defence and Military Veterans was recorded as a highlight of this year's event.

We saw an increase in adult visitors to the Castle of Good Hope. Although the increase could be attributed to the Soccer World Cup, the support from local visitors clearly resulted in another record ticket sale in December 2010. The Castle of Good Hope has proven to be both an affordable and educational experience for the whole family. In addition to the 127 000 tourists to the Castle, various functions and events were held at the Castle of Good Hope. These included International Museum Day (18 May), Heritage Day (24 September) and the Cannon Day (11 December).

Rental from offices, events, film and fashion shoots remain a respectable source of income and this year the Castle received R555 000 in revenue.

Throughout the year the five Cape Regiments showed their presence by displaying their colours during Medal, Church and Birthday Parades including El Alamein and the opening of parliament. In addition, the Cannon Association of South Africa continues to entertain the public by firing the signal cannon on Saturdays and thus entertain and educate the youth.

2.2 Visitors

The figures portrayed in the table below show a decline of visitor figures in comparison to 2009 and are calculated from January to December of the respective years.

Year	Adults	Pensioners	Child/student	Booked School Groups	Concessions	Total
2009	78 306	5 583	24 212	21 935	680	130 716
2010	80 331	5 256	23 006	17 802	374	126 769

2.3 Castle operational management

The Castle Section under provision of the Castle Management Act (*'civilian staff'*) continued with the operational management of the Castle under strategic guidance of the Castle Control Board during the year under review.

The Executive Director and Chief Financial Officer have not been appointed as required by Section 4(f) of the Castle Management Act, 1993. However, a castle manager remains appointed with a management directive, including tasks and function related to those of the executive director, signed by the chairperson of the Board.

The appointment of both these positions is a standing point on the Board's agenda and is envisaged that such appointments will be made as soon as adequate financial resources are available. Investigation in this regard is in process in terms of the financial viability of appointing both an executive director and chief financial officer.

The primary focus for the financial year 2010/11 was the effort of the Castle Section to embrace the Batho Pele principles of improved service delivery in the public sector.

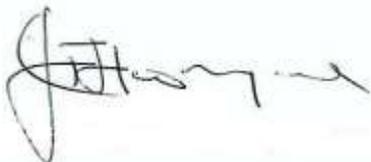
2.4 Maintenance, preservation and protection of the Castle

During the financial year 2010/11 the Castle Control Board attempted to focus on the maintenance, preservation and protection of the Castle ensuring professional and effective immovable heritage asset management in line with SAHRA guidelines though the establishment of proper networking platforms with relevant role-players.

Due to a lack of dedicated capital project funding at the Castle, the Board continued with preventative maintenance measures and spent an amount of R207 000 on day-to-day maintenance during the year under review.

The Department of Public Works funded the appointment of consultants to do a thorough survey on the roof of the Castle. The renovations commenced in April 2011 and will be reported on in the FY 2011/12. Preventative maintenance was done to the wooden windows and doors to ensure that no permanent long-term damage is caused.

The Department of Public Works also funded the establishment of a maintenance plan of the Castle by appointing specialist heritage consultants.



(MAJOR GENERAL J.T. NKONYANE)
CASTLE CONTROL BOARD: CHAIRPERSON

3. REPORT ON PREDETERMINED OBJECTIVES

3.1 Highlights

With the appointment of Mazars as the internal auditors of the Castle Control Board in September 2009, much attention has been given in particular to performance information and the identification of Key Performance Indicators (KPIs).

The Castle Control Board links its performance indicators to its strategic plan, however the plan has been developed and will be approved by the Castle Control Board within the year ending 31 March 2012.

The Castle Control Board assisted the City of Cape Town during the 2010 FIFA World Cup to accommodate the vendors and traders displaced from the Grand Parade at no cost.

3.2 Department of Defence Support

Chief of Logistics (Department of Defence) is the appointed chairperson of the Castle Control Board and takes full responsibility for the reporting to the Minister of Defence on all strategic matters. Personnel from the Logistics Division are also responsible for administration by the chairperson and act as liaison between the chairperson and the Board.

The Chief of Logistics and involved personnel are fully supported by the Department of Defence in terms of subsistence and travel allowance, transport and accommodation funds as stipulated in paragraph 12 of the notes to the annual financial statements.

The Departmental of Defence's strategic planning directorate assists with the technical evaluation of the Castle Control Board strategic plan and annual performance plans.

South African National Defence Force personnel from Army Support Base Western Cape, seconded to the Castle Control Board, take full responsibility for the operational management i.e. administration, function co-ordination, tourism, marketing etc. These members are fully supported by the South African National Defence Force in terms of wages and salaries and other human resources related funding amounting to R2,3 million per annum.

Department of Defence financial division continue to spend increasing energy in their advisory role to the chairperson in terms of PFMA requirements and National Treasury regulations during the year under review, attending Board meetings as an advisor to the Castle Control Board.

3.3 Strategic Objectives

Objectives and mandate

The three strategic objectives as listed in the Castle Management Act are to preserve and protect the military and cultural heritage of the Castle of Good Hope, to optimise the tourism potential of the Castle of Good Hope and to optimise the accessibility of the Castle of Good Hope to the public. Within these three strategic objectives we identified nine key objectives. These are:

Key objective 1: The Castle Control Board will undertake to improve the operational support for the management of the Castle taking cognisance of, in particular, the Castle Management Act, the PFMA Act and Treasury regulations.

Strategy/Output	Service Delivery Indicator	Performance against Objective
Establish management support	Appointment of CEO/CFO	A Castle Manager appointed with management directive. Acting CFO appointed by the CCB. The CEO appointment remains outstanding.
Establishment of a detailed HR Management plan or corporate policy	Review organisational structure and alignment of post requirements	A human resources management plan was approved by the CCB. An approved organisational structure remains incomplete.
Develop integrated legal framework	Ensure compliance with legislation and assistance to legal matters	Implementation of fraud prevention plan, code of ethics and business conduct policy and conflict of interest policy.
Develop IT support plan and policy	Ensure IT security and protection of electronic information.	IT policy implemented to ensure security and protection of electronic information.
Ensure effective office administration capability	Implement the strategic business plan for the CCB	Strategic business plan for 2011-16 to be implemented and approved within the financial year ending 31 March 2012.
Establish effective communication and reporting channels between management, audit committee and CCB.	Quarterly meetings by CCB and audit and risk committee.	Management kept minutes of all scheduled meetings for record purposes, which is used as legal documents for reference during the audit process.

Key objective 2: The Castle Control Board will undertake to appropriately market the Castle making use of optimal methods by developing a Market Strategy

Strategy/Output	Service Delivery Indicator	Performance against Objective
Develop a Marketing Strategy	Determine methods towards promoting utilisation, developing the image and generating income	The marketing strategy concentrated on both the publication and broadcasting media. Educational programmes in both English and Afrikaans utilised the Castle as a medium.
Enhance networking relations with tourism industry for full tourism integration of the Castle of Good Hope into the larger Cape Town	Undertake regular consultation sessions with local tourism office	Due to limited human resources, the matter did not receive the attention it requires.
Utilise all forms of media optimally for effective marketing e.g. electronic, printed, exhibitions, etc	Update, design, print and distribute all forms of marketing	An additional 30 000 maps were printed in preparation of the 2010 World Cup Soccer tournament.
		Web page was updated and improved additions to assist the general public.
		Advertised in several publications relating to tourism, event management and the film/fashion industry.
		The 2010 FIFA World Cup created an opportunity for free publicity and marketing opportunities.

Key objective 3: The Castle Control Board will support and promote Military Activities within the precincts of the Castle

Strategy/Output	Service Delivery Indicator	Performance against Objective
Ensure current annual events continue to meet high standard e.g. Military Tattoo	Refine and update the database of military activities and ensure professional execution of projects.	The Cape Town Military Tattoo has become an annual event supported by the City of Cape Town and attracting more than 3 000 visitors to its four night performance.
	Regiments present commemoration, medal, church and birthday parades.	El Alamein, Poppy Day, Regimental Birthday Parades and opening of Parliament were successfully executed.

Key objective 4: The Castle Control Board will ensure that there is both optimal and appropriate usage of the Castle at all times

Strategy/Output	Service Delivery Indicator	Performance against Objective
Establish new activities at the Castle of Good Hope	Develop proposals for new product development	The installation of an effective sound system remain a challenge, but the completion of phase 1 of the Frontier War display as well as the planning for the Anglo Zulu War display is seen as positive developments.
	Finalisation of extensions to the existing museum	Implementation following phases of the Frontier War display, maritime museum and Castle chapel.
Establish networking platforms with broader client base into local community and its recreational and educational requirements	Establish consultation sessions with each stakeholder to determine requirements, needs, vision, ideas, legal and institutional delegations, mandate, potential contribution, responsibilities	The continued efforts to ensure the sustainability of the horse and carriage tours as well as the audio guides and Castle Forge have assured the efforts for the optimal and appropriate use of the Castle at all times.
Exploit the tourism potential of the Castle of Good Hope	Increased awareness of the Castle as tourist destination by incorporating various entertainment opportunities	The Castle management remains fortunate to utilise the SANDF to execute daily ceremonies and firing of the Signal Cannon at no cost to the CCB. In addition the Cannon Association of South Africa continues to do cannon firings over weekends and public holidays, which has significantly increased the number of visitors during weekends. There was a 2,6% increase in adult visitors compared to 2009. This was significant considering the global recession.

Key objective 5: The Castle Control Board will endeavour to establish optimal heritage management

Strategy/Output	Service Delivery Indicator	Performance against Objective
Ensure maintenance of the Castle of Good Hope in line with legislation and guidelines	Update and take ownership of the conservation management plan	The strategic business plan is in final draft and will be effective as from 01 April 2011. A conservation management plan is to be incorporated to align with the strategic business plan of the Castle
Undertake review of policy guidelines including the CMP and safety and security guidelines	Develop safety and security programme for both the protection of equipment and visitors to the Castle.	Monthly instalments are paid for short term insurance, which covers office equipment, security cameras and public liability.

Key objective 6: The Castle Control Board will seek the support and promotion of tourism

Strategy/Output	Service Delivery Indicator	Performance against Objective
Undertake a 'business case' study assessing the business potential of the Castle	Develop policy for tourism	CCB approved the possible implementation of a maritime museum depicting the Cape's maritime history and Castle chapel as a place of worship. Invitation was forwarded to the Provincial Office of Economic Development and Tourism to utilise the Castle as venue for practical training in exchange for tour guide training of Castle guides.

Key objective 7: The Castle Control Board will foster cooperation and coordination with stakeholders to create a professional and competent corporate image

Strategy/Output	Service Delivery Indicator	Performance against Objective
Standardise communication platforms	Design corporate logo utilised for all external communication e.g. letterheads, notes, etc	Castle logo is a registered trademark and will be renewed in 2017.
Effective professional liaison with stakeholders and potential clients	Establish consultation sessions with each stakeholder to determine requirements, needs, vision, ideas, legal and institutional delegations, mandate, potential contribution, responsibilities	A stakeholder database has been compiled over the years and is utilised accordingly.
	Liase with similar institutions towards achieving national and international heritage standards.	The Castle Management have been reactive instead of pro-active as shortage of staff has resulted in limited or no network with relevant stake holders and potential clients.
	Ensure high standard of hygiene clean environment	Real Clean Services and Rentokil are appointed as service providers for ensuring high standards of hygiene at the Castle of Good Hope.
	Replace and add new signboards in and around the facilities	Due to extensive maintenance required the replacement of signage had to be delayed.

Key objective 8: The Castle Control Board will endeavour to ensure that all events within the Castle are adequately planned, streamlined and supported by updating the centralised events database

Strategy/Output	Service Delivery Indicator	Performance against Objective
Create professional first impression by displaying a professional corporate image	Ensure planned, streamlined and supported event management	A centralised database, which is accessible to all clients of the Castle of Good Hope, is available. This database covers the planning, booking and coordination of all functions and events at the Castle.
Ensure the accessibility for filming of commercials, documentaries, fashion and feature films	Obtain prior approval through the CCB and DOD C Log for utilisation of state immovable heritage assets	Acted as liaison officer to the client ito contractual commitments for all functions, events, film and fashion shoots managed by the Castle Control Board.

Key objective 9: The Castle Control Board will ensure that it maintains a policy of maximum educational outreach to the learners, tourists and members of the community that visit the Castle

Strategy/Output	Service Delivery Indicator	Performance against Objective
Continuously expand or renew the collection in providing optimal resources and information to the public on Cape Military History	Maintain and preserve current artefacts and valuable items on display	R30 000 was allocated for general restoration of current artefacts in the military museum collection. In addition the CCB has allocated a further R190 000 for day-to-day management of the museum collection. These funds were all committed for the year under review.
Ensure maximum educational outreach	Establish effective exhibitions towards educating the local community and international visitors	<p>The second phase of the Frontier War display will be completed by December 2011.</p> <p>The military museum is still currently busy with publications on the French military presence at the Cape, 1781-1789,1806</p> <p>The capturing of medal rolls to the District Mounted Troop and Rifle Associations and Scouts have been completed.</p> <p>Anglo-Boer War children's games to be exhibited by end of 2011</p> <p>A concern was a decline in the number of school visits that was down by 19% compared to 2009.</p>

4. CORPORATE GOVERNANCE

The Castle Control Board endeavoured to ensure the effective administrative management in terms of corporate governance and professional competent corporate image towards optimal resource support and public relations.

4.1 Castle Control Board

The Castle Control Board was established by the Castle Management Act, 1993 (Act 207 of 1993). In terms of this Act, the Castle of Good Hope has been placed under juristic control of the Castle Control Board, which should comprise of representatives of various national and provincial stakeholders.

For the year under review vacancies in the Board existed regarding the executive director and a representative of the South African Tourism Board.

In order to ensure successful implementation of objectives and responsibilities, the Castle Control Board met on a two to three month basis and established guidelines to Castle Management on execution of daily operations.

Five Board meetings were held during the year under review with representation as follow:

Present	Representing	Attendance meetings: 5
Members		
Major General J.T. Nkonyane (Chairperson)	Representative of the Department of Defence	4
Mr R.M. Hudson-Bennett CA(SA) (Vice Chairperson)	Cape Town Regional Chamber of Commerce and Industry	4
Colonel J.P.M. Kobbie/ Lt Col V. Witbooi	Officer Commanding ASB Western Cape	5
Mrs A. Aggenbach	Representative appointed by the Minister of Defence	5
Mr D. Mitchell	Representative appointed by the Minister of Defence	5
Prof H.C. Bredekamp/ Ms R.Omar	CEO Iziko Museums of Cape Town	4
Vacant*	Representative of the South African Tourism Board (Cape Town Routes Unlimited)	0
Mr F. Johnson	Representative of the Department of Public Works	3
Ms B. Crouts-Knipe	Representative of the South African Heritage Resources Agency	2
Mr D. Hart	Representative of the City of Cape Town	3
Mr C. Dowman	Representative of Western Cape Provincial Legislature	3
Captain F. Morkel (Secretary)	Castle Section	5
Observers		
Mr P. du Bois	Department of Defence (Finance Division)	3
Dr D. Sleight	Co-opted Specialist Advisor	4

* Member resigned in June 2009 without being substituted.

4.2 Policy development and implementation

Human resources management plan

The Castle Control Board approved the human resources management plan during the year under review. All management principles within the plan reflect guidelines in this regard according to the Public Service Act and are applicable to all members employed by the Castle Control Board. Members remunerated by the DOD remain under human resources management guidelines as applicable to DOD members.

Conservation management plan

The conservation management plan has the purpose of guiding the institution from a strategic level towards grading the specific site in terms of its significance as cultural site. The draft document had been distributed to line institutions for input. The plan will only be finalised once the amendments to the strategic business plan and the inputs of heritage consultants have been considered and approved.

Maintenance plan

In order to compile a comprehensive maintenance plan for the Castle of Good Hope, DPW appointed a company specialising in conservation architecture for this purpose during the year under review. The maintenance plan will guide all future maintenance of facilities and will be incorporated into the Conservation management plan.

Materiality and significance framework 2010/11

In accordance with the PFMA and National Treasury regulations, a materiality and significance framework was developed and approved by the Board.

King code of governance (King III)

During the year the internal auditors were requested to conduct a control self assessment relative to: The Castle Management Act, PFMA, compliance with the CCB's strategic plan and King III.

The assessment identified some gaps in compliance with King III which were addressed, in some cases improvements were made but those issues which remain challenges are listed below.

The CCB is mindful of the Castle Management Act, which is the governing Act and which makes compliance with King III a challenge in some of the issues mentioned below.

Ethical leadership.

The Board has a Code of Conduct but has not yet developed an ethics statement and at this stage, the code of conduct is adequate noting that personnel seconded to the CCB by the Department of Defence (DOD) are already subject to the military code of conduct and policies.

Board of directors

The Board is appointed in terms of the Castle Management Act and its members are drawn from defined organisations, some of which are governmental. The Board reports ultimately to the Minister of Defence. The chairperson, who is from the DOD, is appointed by the DOD but approved in principle by the Board. Whilst attempts have been made by the Board to fill all vacancies, one remains outstanding.

During the year the Board made substantial progress in developing a new strategy to be approved in July 2011. This plan responds to enhancing stakeholder relationships and looks to the appointment of a CEO and CFO.

It should be noted that non governmental appointments are not remunerated for their time.

Risk management

There is a risk management policy and a risk register. It is monitored by the audit committee on a regular basis and is also tabled at the Board. The ongoing management of risk is delegated to management to monitor the risk register and to inform the Board of emerging, or changing risks. It is acknowledged by the Board that strategy and risk management must be aligned.

Information technology (IT)

The basic objective of IT is to provide accounting and administrative support through a system which is not complex and consists of three workstations and users. Other than developing a formal disaster recovery plan, the Board is satisfied that the residual risk has been mitigated and that the cost benefit is adequate for an organisation of this nature and size.

Compliance with laws, policies and regulations.

The Board recognises the responsibility of compliance and draws to your attention the control self assessment discussed earlier. The cost benefit of developing a formal compliance assurance function is not feasible and accordingly some work needs to be done to successfully manage this risk and also that of integrated reporting which has not yet been implemented.

Overall, subject to the issues mentioned above, there has been substantial and satisfactory compliance with King III, noting that some aspects could be improved upon, and will be. The challenge remains that of the overall cost benefit of governance in an organisation of this nature and size, is becoming prohibitive.

4.3 Report of the audit committee

The audit committee of the Castle Control Board presents its report for the financial year ended 31 March 2011.

Audit committee charter members and attendance

The audit committee had 5 meetings during the year ended 31 March 2011 and the attendance was as follows:

Present	Representing	Attendance of Meetings: 5
Members		
Mr P.J. Strachan (Chairperson)	Audit committee of the Castle Control Board	5
Mrs F. Allie	CFO Iziko Museums of Cape Town	3
Ms B. Khumalo	CFO SAHRA	3

Two of the members are from inside the public service but are not employees of the Castle Control Board; however, the chairman is independent.

Audit committee responsibility

The audit committee reports that it has complied with the responsibilities arising from Sections 51 (1)(a) of the Public Finance Management Act and Treasury Regulation 27.1.10. The audit committee reports that it has complied with the terms of its charter adopted on 26 November 2008 and have discharged its duties in accordance therewith. A review of the Charter was conducted during the year and the CCB approved the revised charter on 25 May 2011.

Internal control

The system of internal control is designed to provide cost effective assurance that assets are safeguarded and liabilities and working capital are efficiently managed in compliance with all relevant statutory and governance requirements.

The audit committee notes from the audit report on the annual financial statements and management report of the Auditor-General, that while policies and procedures are in place, these are not always fully compliant with the PFMA and Treasury regulations. Given the size and limited resources of the Castle Control Board, an application will be made to Treasury for the waiver of strict compliance.

Given the abovementioned, the audit committee is able to report that the system of internal control for the year under review was effective and efficient.

Internal audit

The Castle Control Board appointed Internal Auditors during the previous year and together with the audit committee developed a three year audit plan in terms of the approved Charter. During the past year, the focus has been on internal controls, governance and regulatory compliance and also the performance reporting process. The outcomes of the internal audits are reviewed by the audit committee and corrective action is taken.

External audit

The Auditor General is the appointed external auditor in terms of the Castle Management Act 1993 and the Public Finance Management Act of South Africa, 2004. The Auditor General provides no non-audit services and the audit committee, in conjunction with management reviews the engagement letter, audit plan, terms of reference, annual fees and management reports.

The audit committee has followed up the issues raised by the Auditor General in the 2010 annual report and, where possible, corrective action has been taken whilst new policies and procedures have been developed and implemented to resolve the matters reported on.

Risk management and other policies

The audit committee continues to monitor the risk management plan and promotes risk awareness throughout the CCB. The audit committee draws attention to certain risks referred to in the "going concern" paragraph below.

Quality of management reporting

The audit committee is satisfied with the content and quality of monthly, quarterly and annual reporting, which are presented to both the audit committee and the Castle Control Board and the committee is comfortable that these provide a reasonable basis for the organisation's management and control. Whilst a CFO has not yet been appointed the CCB has appointed the vice-chairperson of the Board, a chartered accountant, to act as CFO until such appointment is made.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and with the Castle Control Board as the accounting authority
- reviewed the Auditor-General's management report and management's response thereto,
- reviewed changes in accounting policies and practices, as applicable, and
- reviewed and endorsed the accounting policy adjustments that resulted from the audit.

Going concern

The audit committee, which has no reason to doubt the continuous and ongoing support from the Department of Defence referred to in Note 3.2, has reviewed the key assumptions prepared by management on the going concern status of the CCB. The audit committee supports the Board's statement on going concern, noting however that the approval of the retention of surplus dealt with in note 18 to the annual financial statements is assumed and if denied this will have an impact on the proposed acquisition of Het Bakhuis referred to in paragraph 1.2.

Compliance with General Recognised Accounting Practices (GRAP)

The audit committee is aware of the developments in General Recognised Accounting Practices (GRAP) on financial reporting and disclosure. Many of which are complex and onerous, particularly for an entity such as the CCB. GRAP 103 is due for implementation by 31 March 2012, which will require the reporting and disclosure of heritage assets, antiquities and collections, but more importantly the concomitant valuation process which may require costly specialist expertise.

The audit committee accordingly concurs with and supports the Auditor-General's conclusion on the annual financial statements, and is of the opinion that the audited financial statements can be accepted and read together with the Auditor-General's report.

A handwritten signature in black ink, appearing to read 'P.J. Strachan', is written over a large, hand-drawn oval shape. Below the signature, there is a long horizontal line that tapers to an arrowhead on the right side.

(P.J. STRACHAN CA(SA))
AUDIT COMMITTEE: CHAIRPERSON



5. HUMAN RESOURCES MANAGEMENT

The Castle Section comprises a total of 18 members of whom nine (9) are remunerated by the Department of Defence.

It is necessary for the Castle Control Board to employ additional staff to execute duties related to posts no longer occupied by SANDF personnel. These posts include three (3) Castle Guides, a bookkeeper, financial clerk, a cashier, museum assistant, librarian and collection manager.

Other services include permanent cleaning services, char services during the festive season and weekends as well as temporary replacement personnel during leave and public holidays.

5.1 Permanent employees

Total number of permanent workers as employed by the Department of Defence and seconded to the CCB (as on 31 March 2011)

Post Level	MALE				FEMALE				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Level 9	-	1	-	-	-	-	-	2	3
Level 8	-	-	-	2	-	-	-	1	3
Level 7	-	-	-	-	-	-	-	-	-
Level 6	-	-	-	-	-	-	-	-	-
Level 5	-	-	-	-	-	-	-	-	-
Level 4	1	-	-	2	-	-	-	-	3
Level 3	-	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	-	-	-	-
Total	1	1	-	4	-	-	-	3	9

5.2 Contract workers

Total number of contract workers as appointed by the Castle Control Board (as on 31 March 2011)

Post Level	MALE				FEMALE				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Professionally Qualified	-	1	-	1	1	1	-	2	6
Semi-skilled and discretionary decision making	-	-	-	1	-	1	-	1	3
Total	-	1	-	2	1	2	-	3	9

6. ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2011

Report of the Auditor-General	25
Statement of financial performance	28
Statement of financial position	29
Statement of changes in net assets	30
Cash flow statement	31
Accounting policies	32
Notes to the annual financial statements	34

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE CASTLE CONTROL BOARD FOR THE YEAR ENDED 31 MARCH 2011

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Castle Control Board, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies, and other explanatory information, as set out on pages 32 to 42.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA) and Castle Management Act of South Africa, 1993 (Act 207 of 1993) (Castle Management Act), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 20 of the Castle Management Act, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Castle Control Board as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP, the requirements of the PFMA and Castle Management Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

Presentation of information

9. I was unable to conduct the audit of performance against predetermined objectives as the public entity did not submit the annual performance report as required by section 55(2)(a) of the PFMA.

Compliance with laws and regulations

Procurement and contract management

10. The board did not apply the requirements of the Preferential Procurement Policy Framework Act, 2000(Act No. 5 of 2000) (PPPFA Act) in the procurement of goods and services above R30 000 as required by section 2(a) of the act.

Predetermined objectives

11. The accounting authority did not finalise and submit a strategic plan for approval to the relevant executive authority on or before 1 April as required by TR 30.1.1 and 30.1.2.
12. The accounting authority did not establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action as required by TR 30.2.1.
13. The accounting authority did not ensure that the public entity has and maintained an effective, efficient and transparent system of internal control regarding performance management, which described and represented how the entity's processes of performance planning, monitoring, measurement, review and reporting was conducted, organised and managed as required by section 51(1)(a)(i) of the PFMA.

INTERNAL CONTROL

14. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

15. The board has implemented supply chain management and performance reporting policies that do not comply in all respects with the stringent requirements of the PFMA and the PPPFA.

Auditor-General

Auditor General

Cape Town

31 July 2011



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

Statement of financial performance

for the year ended 31 March 2011

	Note	2011 R'000	2010 R'000
Revenue (from exchange transactions)			
Sale of goods		90	106
Other income	2	2 156	2 380
Income from investments	3	630	666
		2 876	3 152
Expenditure			
Audit fees		(332)	(292)
Cost of maps sold		(56)	(75)
Depreciation	6.1	(69)	(74)
Staff Costs	4	(557)	(422)
Other operating expenses	5	(969)	(1 095)
		(1 983)	(1 958)
Losses on disposal of assets		-	(2)
Surplus for the year		893	1 192

Statement of financial position

as at 31 March 2011

	Note	2011 R'000	2010 R'000
Assets			
Non-current assets		1 260	1 263
Equipment	6.1	133	149
Museum antiquities	6.2	1 127	1 114
Current assets		11 270	10 372
Inventories	7	126	99
Trade and other receivables	8	66	62
Cash and cash equivalents	9	11 078	10 211
Total assets		12 530	11 635
Current liabilities			
Trade and other payables	10	71	69
Capital and reserves		12 459	11 566
Total equity and liabilities		12 530	11 635

Statement of changes in net assets

for the year ended 31 March 2011

	Revaluation reserve	Military Tattoo	Accumulated surplus/ (deficit)	Total
	R'000	R'000	R'000	R'000
Balance at 1 April 2009	659	167	9 548	10 374
Net surplus for the year	-	-	1 192	1 192
Transfer to(/from) reserves #	-	58	(58)	-
Balance at 1 April 2010	659	225	10 682	11 566
Net surplus for the year	-	-	893	893
Transfer to(/from) reserves #	-	116	(116)	-
Balance at 31 March 2011	659	341	11 459	12 459

The Military Tattoo Reserve has been created to be able to monitor the results of this annual event and ensure that any surpluses can be utilised for future events.

Cash flow statement

for the year ended 31 March 2011

	Note	2011 R'000	2010 R'000
Net cash inflows from operating activities			
Cash receipts from visitors		2 132	2 447
Cash paid to suppliers and employees		(1 829)	(1 940)
Cash paid to suppliers		(1 272)	(1 518)
Cash paid to employees		(557)	(422)
Cash generated from operations	11	303	507
Finance income received		630	666
Cash generated from operating activities		933	1 173
Cash flows from investing activities			
Acquisition of equipment	12	(53)	(97)
Acquisition of museum antiquities	12	(13)	(46)
Net cash outflows from investing activities		(66)	(143)
Net increase in cash and cash equivalents		867	1 030
Cash and cash equivalents at the beginning of the year		10 211	9181
Cash and cash equivalents at end of the year		11 078	10 211

Notes to the annual financial statements

for the year ended 31 March 2011

Measurement and accounting policies

The financial statements have been prepared in accordance, with the effective Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board, together with the interpretations, guidelines and directives issues.

The financial statements have been prepared on a going concern basis and the following policies have been consistently applied in all material aspects.

1.1 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue arising from the rendering of services is based on the stage of completion determined by reference to the physical amount of work performed in relation to the total project.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.2 Leasing

Finance leases as per the Treasury Regulations refers to a contract that transfers the risks, rewards, rights and obligations incident to ownership to the lessee and is recorded as a purchase of equipment by means of long-term borrowing. All other leases are classified as operating leases which are applicable to this entity.

The entity as a lessee

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

1.3 Equipment

Plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the reducing balance method, on the following bases:

Equipment (including computers) 15 - 33% Straight line

Museum Antiquities

Museum Antiquities are stated at cost and are not depreciated.

Impairment reporting

At each reporting date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a re-valued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

Impairment continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and costs to be incurred in marketing, selling and distribution.

Cost is determined on the following basis. Finished goods are valued on the FIFO basis.

1.5 Financial instruments policy

Recognition

Financial assets and financial liabilities are recognised on the entity's reporting date when the entity becomes a party to the contractual provisions of the instrument.

All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below in Notes 1.6 to 1.9.

1.6 Trade receivables

Trade receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.7 Financial liabilities

The entity's principle financial liabilities are accounts payable.

The entity's principle financial liabilities are measured at amortised cost, comprising original debt less principle payments and amortisations, except for financial liabilities held-for-trading and derivative liabilities, which are subsequently measured at fair value.

1.8 Trade payables

Trade and other payables are stated at their nominal value.

1.9 Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value.

1.10 Related parties

Related parties represent those transactions which have been entered into between the Board and related parties.

1.11 Use of estimates, judgements and assumptions

Management is required to make estimates and assumptions in preparing the annual financial statements. These assumptions and estimates are made on the best available information relating to impairments, useful life, depreciation and disclosures.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

2. Other income

	2010/11	2009/10
	R'000	R'000
Gross ticket sales	2 226	2 254
Less: Paid to Iziko Museums (William Fehr Collection)	742	751
Net ticket sales	1 484	1 503
Buildings rental income	555	818
Sundry income	1	1
Military Tattoo	116	58
	<u>2 156</u>	<u>2380</u>

3. Income from investments

Interest income - Bank deposits	<u>630</u>	<u>666</u>
---------------------------------	------------	------------

4. Staff Costs

Acting Chief Financial Officer	77	64
Salaries	431	322
Bonuses	18	18
Other	31	18
	<u>557</u>	<u>422</u>

5. Other operating expenses

Administrative fees	96	70
Advertising	77	88
Cleaning services and materials	95	68
Communications	27	28
Computer services	13	26
Entertainment	19	16
Maintenance repairs and running costs		
- Property and buildings	207	289
- Other maintenance repairs and costs	68	56
Museum expenses	146	179
Transport costs	7	11
Training and staff development	13	5
Venues and facilities	1	1
Uniforms and laundry	56	96
Other	144	162
	<u>969</u>	<u>1 095</u>

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

6. Non-current assets

6.1 Equipment

Year ended 31 March 2010	R'000
Opening net carrying amount	127
Gross carrying amount	234
Accumulated depreciation	<u>(107)</u>
Additions	98
Disposals	(2)
Depreciation	<u>(74)</u>
Net carrying amount 31 March	<u>149</u>

Year ended 31 March 2011	
Opening net carrying amount	<u>149</u>
Gross carrying amount	<u>318</u>
Accumulated depreciation	<u>(169)</u>
Additions	53
Depreciation	<u>(69)</u>
Net carrying amount 31 March	<u>133</u>

6.2 Museum antiquities

Year ended 31 March 2010	R'000
Opening net carrying amount	1 068
Additions	<u>46</u>
Net carrying amount 31 March	<u>1 114</u>

Year ended 31 March 2011	
Opening net carrying amount	1 114
Additions	13
Net carrying amount 31 March	<u>1 127</u>

	2010/11 R'000	2009/10 R'000
7. Inventories		
Finished goods	<u>126</u>	99
8. Trade and other receivables		
Trade receivables	4	5
Accrual of interest	<u>62</u>	<u>57</u>
	<u>66</u>	<u>62</u>

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

9. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest risk. The carrying amount of these assets approximates to their fair value.

	2010/11	2009/10
	R'000	R'000
Cash at bank	15	449
Cash on hand	5	5
Short-term investment instruments	11 058	9 757
	11 078	10 211

As required in section 7(2) and 7(3) of the Public Management Act, the National Treasury has approved both banks where the bank accounts are held.

10. Trade and other payables

Trade creditors	65	61
Leave pay	5	3
Deposits	1	5
	71	69

11. Reconciliation of surplus before taxation to cash generated from operations

Surplus before taxation	893	1 192
Adjusted for:		
- Depreciation	69	74
- Finance income	(630)	(666)
- Loss on disposal of fixed assets	-	(2)
Operating cash flows before working capital changes	332	602
Working capital changes	(29)	(95)
- (Increase)/ decrease in inventories	(27)	8
- (Increase)/ decrease in receivables	(4)	19
- Increase/(decrease) in payables	2	(122)
Cash generated from operations	303	507

12. Net cash outflow from investing activities

Acquisition of equipment	(53)	(97)
Acquisition of museum antiquities	(13)	(46)
Cash outflow from investing activities	(66)	(143)

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

13. Related parties

Related Party	Nature of the relationship	Amount confirmed 2010/11 R'000	Amount confirmed 2009/10 R'000
Iziko Museums of Cape Town	Share of income from gate takings and related business in terms of agreement	741	750
South African National Defence Force *	Management and Administrative Support to the Castle Control Board, which includes salaries.	2 281	2 271
Army Support Base Western Cape	Regular lessees of CCB managed facilities and equipment	216	402
South African National Defence Force	Recipient of payment for Fixed line telecommunications equipment	10	14
RM Hudson-Bennett	As vice-chairperson of the CCB also responsible for the preparation of financial statements, including Estimates of National Expenditure (ENE) and attending related workshops as initiated by National Treasury.	78	64
SAHRA	As lessee	72	72
SAHRA	As creditor	-	76

* The management and administrative support costs of the Department of Defence shown above are not included in the expenses of the Castle Control Board.

14. Financial risk Management

14.1 Financial risk factors

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Castle Control Board's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising return.

(b) Credit risk

Credit risk is the risk of financial loss to the Castle Control Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Castle Control Board's receivable from customers.

Reputable financial institutions are used for investing and cash handling purposes.

An allowance for impairment is established based on management's estimate of identified incurred losses in respect of specific trade and other receivables. Bad debts are written off as they incur.

(c) Liquidity risk

Liquidity risk is the risk that the Castle Control Board will not be able to meet its financial obligations as they fall due. The Castle Control Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The liquidity risk is considered as low, because the Castle Control Board has adequate funds at their disposal.

(d) Interest risk

The Castle Control Board's exposure to changes in interest rates on a floating basis relating to funds invested with reputable financial institutions on a short term basis.

The risk is covered by a cash and equivalents balance of R11 078' at 31 March 2011 (2010: R10 211').

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

(e) Capital management

The policy of the management is to maintain a strong capital base so as to maintain public sector confidence and to sustain future developments of the Castle Control Board. There were no changes in the management's approach to capital management of the Castle Control Board during the year.

(f) Analysis of financial assets and liabilities

The entity's principle financial assets are investments, accounts receivable and cash and cash equivalents.

	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
31 March 2011			
Assets			
Trade receivables	-	66	66
Cash and cash equivalents	11 078	-	11 078
Total assets	<u>11 078</u>	<u>66</u>	<u>11 144</u>
Liabilities			
Trade payables	-	71	71
Total liabilities	<u>-</u>	<u>71</u>	<u>71</u>
Net financial assets/(liabilities)	<u>11 078</u>	<u>(5)</u>	<u>11 073</u>
31 March 2010			
Assets			
Trade receivables	-	62	62
Cash and cash equivalents	10 211	0	10 211
Total Assets	<u>10 211</u>	<u>62</u>	<u>10 273</u>
Liabilities			
Trade payables	-	69	69
Total liabilities	<u>-</u>	<u>69</u>	<u>69</u>
Net financial assets/(liabilities)	<u>10 211</u>	<u>(7)</u>	<u>10 204</u>

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

14.2 Interest risk sensitivity analysis	2010/11 R'000	2009/10 R'000
Trade and other receivables	66	62
1% interest fluctuation impact	0.66	0.62
Trade and other payables	71	69
1% interest fluctuation impact	0.71	0.69
Cash and Cash equivalents	11 078	10 211
1% interest fluctuation impact	110.78	102.11

Currency risk

The Castle Control Board does not enter into forward exchange contracts and therefore have no currency risk.

Liquidity risk

The carrying amounts of financial liabilities at the reporting date were:

Trade and other payables	71	69
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The contractual maturities for all borrowings and payables outstanding at both 31 March 2010 and 2011 were 12 months or less.

14.3 Fair value estimation

The face value of cash, trade receivables and trade payables less any estimated credit adjustments are the approximately fair values on 31 March 2011 and 2010, as a result of the short-term maturity of these assets and liabilities.

15. Reconciliation of budget surplus with the surplus of financial performance

Net surplus from the approved budget	985	1 433
Adjusted for:		
Income received less than budget	(922)	(166)
Expenditure incurred less than budget	830	(75)
Net surplus form statement of financial performance	893	1 192

16. Irregular expenses report

The Castle Control Board has a Board approved Procurement Policy. However, expenses in contravention of Treasury Regulation 16A were incurred that were identified by the auditors. It is acknowledged that due to the size and nature of the entity, which has limited resources, it is impractical to comply with the stringent application of the regulations and an application for a waiver will be made to Treasury.

	2010/11	R
The expenses identified consist of:		
Sole suppliers and heritage expenses for:		
Maintenance of heritage assets	210 796	
Heritage displays and uniforms	77 317	
Corporate governance		
Internal audit and part time accounting services	179 790	
Cleaning and other	98 085	
	565 988	

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2011

17. Standards and interpretations

The following standards were in issue but not yet effective:

- GRAP 18 Segment reporting
- GRAP 21 Impairment of non-cash generating assets
- GRAP 23 Revenue from non-exchange transactions
- GRAP 24 Presentation of budget information in financial statements
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 103 Heritage assets
- GRAP 104 Financial instruments

All applicable Standards will be adopted at the relevant effective date.

The management is of the opinion that the impact of the application of the Standards will not have a material effect on the financial position performance or disclosure of the Castle Control Board for the following standards being GRAP 18,21,23,24,25,26,and 104.

However the implementation of GRAP 103 at effective date is likely to have a material effect on the Financial Position, performance disclosure and potential cost of obtaining valuation by appropriate experts.

18. Contingent liabilities

The Castle Control Board has not received approval from Treasury to retain the surplus as disclosed in the statement of financial position. The recognition of the liability is dependent on whether the Castle receives approval from National Treasury to retain the surplus funds as required by section 53(3) of the Public Finance Management Act, 1999 (Act No 1 of 1999). However, the Board has complied with the Castle Management Act under which the Board was constituted and this Act allows the retention of surpluses arising from operations.

19. Taxation

A tax exemption has been granted by the South African Revenue Service. Consequently no tax has been provided in these accounts.

20. Unauthorised, fruitless and wasteful expenditure

In terms of the Public Finance Management Act, 1999 (Section 55(2)(b)(i), it is reported that there was no unauthorised or fruitless and wasteful expenditure incurring during this year or the previous year.