

ANNUAL REPORT

2016/2017



Accounting Standards Board

CONTENTS

List of Abbreviations	3
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SectionOne

Message from the Chairperson	4
Review of the Operations by the Chief Executive	6

SectionTwo

Review of the ASB's Performance for 2016/2017	11
---	----

SectionThree

Stakeholder Outreach.....	20
---------------------------	----

SectionFour

Sustainability of the ASB.....	22
--------------------------------	----

SectionFive

Governance of the ASB.....	24
----------------------------	----

SectionSix

Managing and Developing the People of the ASB.....	34
--	----

SectionSeven

Report of the Audit and Risk Committee.....	38
Independant Auditor's Report to Parliament on the ASB.....	42

SectionEight

Statement of Board Members' Responsibility.....	46
Annual Financial Statements.....	47

ABBREVIATIONS

List of Abbreviations

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
FAQs	Frequently Asked Questions
GRAP	Generally Recognised Accounting Practice
IASB	International Accounting Standards Board
IFRSs	International Financial Reporting Standards
IPSASs	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KING IV	The King IV Report on Corporate Governance
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
mSCOA	Municipal Standard Chart of Accounts
MTEF	Medium-Term Expenditure Framework
OAG	Office of the Accountant-General
PFMA	Public Finance Management Act, Act No. 1 of 1999
PSAF	Public Sector Accounting Forum
SAICA	South African Institute of Chartered Accountants
SALGA	South African Local Government Association

SECTION ONE

Message from the Chairperson

The volatile economic and political landscape South Africa currently experiences and the rising citizen concerns about the country's wellbeing have created a common awareness of the important role standards play in a society.

Topical concerns raised by citizens today can be linked to ethical, educational, economic, political, social and financial standards being questioned. As the public sector accounting standard setter, the ASB's role in advancing public sector financial reporting, while promoting accountability, transparency and effective financial management, has never been more important than it is today.

The activities undertaken by the ASB during 2016/2017 respond directly to the need of stakeholders for relevant information to make decisions and hold entities accountable. The Board's activities focused on dealing with reporting on South Africa-specific issues, many of which were identified by the ASB's stakeholders as being key areas requiring guidance from the Board. These included finalising the pronouncements on accounting for land, housing arrangements and natural resources, including fauna, flora, water, land and minerals.

Convergence with the work done by the IPSASB is a priority for the ASB to remain at the forefront of latest international developments and best practice in public sector financial management. A great deal of work is being done by the IPSASB on matters the Board views as relevant locally, such as social benefits and possible related obligations, revenue, non-exchange expenses and leases. The finalisation of guidance on these matters by the IPSASB, and their implementation locally, will ensure more comprehensive information is available about government's assets, liabilities, revenue and expenses. The increasing level of public debt is a world-wide concern raised by international organisations such as the International Monetary Fund and the United Nations. To know the full extent of public debt, the preparation of consolidated financial statements for all spheres of government will become increasingly important in managing public financial and fiscal stability. Developing local accounting guidance on these matters will be key projects for the Board in the medium-term.

The majority of public sector institutions in South Africa have migrated to accrual accounting by adopting the Standards of GRAP, with the latest being provincial legislatures in 2015/2016. National and provincial departments remain the only entities that have not yet migrated. This continues to be an area of concern for the Board. It hopes to engage with the National Treasury in the coming year on a clear strategy and timeframe for the implementation of Standards of GRAP by these entities.

The ASB values the trilateral relationship between the National Treasury, the AGSA and the ASB. The parties recommitted to meet on strategic matters important to improve public financial management, and look forward to achieving more, together.

The Board is concerned about the slow rate of approval by the Minister of Finance to determine the implementation dates of Standards of GRAP it has approved. The ASB and the acting Accountant-General agreed to enter into a Memorandum of Understanding dealing with, among other matters, the approval process for Standards of GRAP. The timely approval of Standards of GRAP is key to them being relevant and useful.

The relevance of the ASB's work is enhanced by regular engagements with stakeholders and remains a high priority. The ASB is exploring more efficient and effective ways to communicate with stakeholders. These include making use of interactive electronic communication mechanisms that have the potential of reaching a wide audience at a low cost. The ASB is also considering how social media can be used more effectively.

SECTION ONE

Message from the Chairperson cont.

The ASB continued to partner with organisations, such as SAICA, CIGFARO and SALGA, to consult on its pronouncements, to ensure it receives constructive feedback on application and implementation issues related to the Standards of GRAP. During the period under review, the ASB also engaged academic institutions about possible areas of research and collaboration, which will be explored further. More information is available in the stakeholder outreach report included in Section 3 of this report.

The IPSASB held its quarterly meeting, for the second time in South Africa, in December 2016. In addition to the ASB's Technical Director, who was the Deputy Chair of the IPSASB at the time, I was afforded the opportunity to attend this meeting, together with the Chair of the Technical Committee, the Chief Executive of the ASB and its staff. To observe the workings of the IPSASB was certainly one of the highlights of the year. This also presented a rare opportunity for the ASB to host a business breakfast for its stakeholders, with the Chair of the IPSASB as guest speaker. The breakfast focused on possibilities for closer co-operation between the ASB and IPSASB.

The Board is pleased with the pro-active steps taken by the ASB to comply with the requirements of King IV as it recognises the importance of sound governance practices to ensure the ASB achieves its strategic objectives.

I would like to take this opportunity to thank the ASB's stakeholders and partners, as well as the Standing Committee on Finance, the National Treasury and the AGSA, for their assistance and collaboration during the year and their role in contributing to the ASB's achievements.

I also express my sincere thanks to my fellow Board members who bring a wealth of knowledge and experience to the Board, and to the staff of the ASB. I look forward to working with all of you in the year ahead.



T Coetzer
Chairperson
22 June 2017

SECTION ONE

Review of the Operations by the Chief Executive

Overview

The responsibility of ensuring users have appropriate information on which to base their decisions rests with the ASB, which is mandated to develop Standards of GRAP for all institutions in the South African public sector.

The needs of users of public sector financial information are maturing. Basic information on the amount of cash government received and spent is no longer sufficient, and users now require more progressive information before making decisions about the activities of public sector entities.

A full suite of Standards of GRAP has been developed and the ASB is now in a position to address users' more established information needs. The ASB's consultation with the public and other stakeholders on its work programme has ensured projects undertaken for the period 2017 to 2020 will focus on those needs.

The usefulness of financial statements prepared in accordance with the Standards of GRAP was evident in the local government elections in 2016. The elections brought about a greater level of scrutiny of municipal financial statements as newly elected officials were inducted and informed of the state of affairs of the municipality they were elected to. All municipalities apply the Standards of GRAP; with the result that relevant, comparable financial information is available that promotes sound decision-making. The information in the financial statements ensures voters are empowered with a public record, where performance can be monitored and with which to hold officials accountable.

The Board undertakes a number of activities in executing the responsibility to set Standards of GRAP. These are:

- Developing Standards of GRAP.
- Promoting the adoption of the Standards of GRAP.
- Monitoring the implementation of the Standards of GRAP.
- Influencing the development of international standards.
- Developing our people.
- Communicating with our stakeholders.

Performance for the year under review

The ASB responded positively to challenges outside its control and was able to issue more pronouncements than planned while being on track to deliver on its work programme for the medium-term.

The frequency and type of stakeholders consulted is determined by the nature of pronouncements issued by the Board. The ASB consulted sufficiently on all pronouncements issued, but did not manage to reach all provinces in the year.

Based on the Medium Term Strategic Framework, a set of 12 outcomes were developed and agreed to by Cabinet to provide strategic focus for the work of government. The ASB contributed to two outcomes:

- Outcome 9: *A responsive, accountable, effective and efficient local government system:*

The ASB facilitated discussions between preparers and auditors on accounting matters through the PSAF, which among others contributes to the improvement in overall municipal audit outcomes (eight meetings were held in the year). A number of FAQs were issued by the Secretariat to respond to issues raised at this forum. The Secretariat also participates in frequent meetings between the OAG and AGSA, where transversal issues that could affect audit outcomes are discussed.

SECTION ONE

Review of the Operations by the Chief Executive cont.

- Outcome 12: *An efficient, effective and development oriented public service:*

The National School of Government, together with the OAG, developed an e-learning course on the Standards of GRAP. The Secretariat reviewed the content of this course and provided feedback to the OAG in the year under review. This ensures accurate knowledge is imparted and contributes to the upgrading of skills of preparers and users, which improves accountability and decision-making.

A detailed analysis of the ASB's achievement of its targets for 2016/2017 is outlined in Section 2 of this report.

Sufficient funding has been made available by the National Treasury for the MTEF period for it to fulfil its core activities. However, funding remains a constraint, with the ASB unable to undertake post-implementation reviews. A post-implementation review entails:

- the assessment of whether information produced by applying the Standards of GRAP is relevant to users, and
- the identification of application and implementation issues that may require resolution.

The ASB needs a permanent increase in its baseline allocations to enable it to perform post implementation reviews in the future.

The ASB reported a deficit of R85 556 (2016: R74 460) for the year, which includes non-cash items such as depreciation (R69 735), provision for leave entitlements (R119 147) and the straight-lining of the lease of the premises (R31 991). No funds needed to be surrendered to the National Treasury for this reporting period. Out-dated laptops of staff were replaced during the year and the old laptops were donated to university students. With the December 2016 IPSASB meeting held in South Africa, international travel was reduced.

The financial results are outlined in Section 8 of this report.

Notable developments during the reporting period

Setting Standards of GRAP

To ensure the Board's activities are relevant and respond to stakeholders' needs, the Board consulted on the projects it should undertake over the short- to medium-term for the first time. The consultation was well received among stakeholders and the feedback received was used in the development of a work programme for the three years 2017 to 2020. Stakeholders are now able to understand the future accounting and reporting environment, plan their participation in projects and prepare for any changes needed in their accounting functions accordingly.

The Board's activities for the year focused primarily on responding to issues raised by its stakeholders on areas where there is divergence in practice. A final Interpretation of the Standards of GRAP on *Recognition and Derecognition of Land* and a final Guideline on *Accounting for Arrangements Undertaken in Terms of the National Housing Programme* were issued in March 2017. At the same time, the Board also issued a final Standard of GRAP on *Living and Non-Living Resources*. This is an area where no guidance existed previously, which had resulted in diverse accounting practices.

SECTION ONE

Review of the Operations by the Chief Executive cont.

As part of the Board's intention to maintain convergence with latest international thought leadership, on-going improvements effected to international standards set by the IASB and the IPSASB were approved by the Board as a set of Improvements to the Standards of GRAP. The Board also issued five new Standards of GRAP on *Interest in Other Entities* to align current standards to IPSASs. The Board reviewed the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* to assess its appropriateness for the local environment. Based on preliminary research, the Board agreed to issue the IPSASB's conceptual framework, with some modifications for South Africa-specific matters, for comment. The outcome of the public consultations is expected in the first quarter of the next reporting period.

The development of Standards of GRAP is not possible without the continued involvement of the ASB's stakeholders in the development process. A list of the organisations that have provided technical assistance to the Board through participation in project groups is included in Annexure A to the financial statements.

Promoting the adoption of Standards of GRAP

The Secretariat translates the Standards of GRAP into three official languages – isiZulu, Sesotho and Afrikaans, based on the Board's language policy (approved in 2014). The translated Standards are available on the ASB's website. No new Standards of GRAP were translated in the year as all new standards were approved by the Board at its March 2017 meeting. These will be translated in the new financial year.

The Minister of Finance is responsible for approving the implementation dates of the Standards of GRAP. The promulgation of the effective dates of Standards of GRAP issued by the Board is a growing area of concern. At year-end, there were at least four standards for which no effective date had been gazetted, and another four where the effective date had only been gazetted for some entities. This means no change from the previous year. The governance structures of the ASB are addressing this issue as a matter of urgency.

The Minister of Finance, through the PFMA, can approve an exemption for an entity, or group of entities, from a Standard of GRAP or a requirement of a Standard of GRAP. Exemptions can impact not only an entity's ability to assert compliance with the Standards of GRAP, but can also impact the AGSA's ability to formulate an appropriate audit opinion and other entities' commitment to adopt new Standards of GRAP. These consequences could ultimately reduce the relevance, reliability and comparability of financial statements. It is important for the ASB to understand the reasons for such exemptions as they may impact on the ASB's mandate and provide information useful to the ASB in promoting the adoption of Standards of GRAP. Various engagements were held with the OAG, AGSA and affected entities to discuss exemptions granted by the Minister of Finance.

SECTION ONE

Review of the Operations by the Chief Executive cont.

Monitoring the implementation of the Standards of GRAP

No post-implementation reviews have been undertaken since the review of the asset-related Standards of GRAP in 2013/2014. Much of the focus has been on ensuring the ASB, the National Treasury and the AGSA have adequately responded to the issues raised during that review. The ASB has now responded to all the issues raised by respondents and the next step will be to monitor whether the actions undertaken are achieving the desired results.

The Secretariat issues responses to FAQs as a mechanism to clarify and promote convergence of accounting practices, rather than divergence. All FAQs identified (six) were developed and issued in the year.

Influencing the development of international standards

As the Standards of GRAP are based on IPSASs, the Board continues its efforts to influence international standard-setting as much as possible. This is done through participation in the activities of the IPSASB, its task groups and task forces, as well as through commenting on any relevant pronouncements issued.

Jeanine Poggiolini, the Technical Director and the Deputy Chair of the IPSASB, completed her term on IPSASB on 31 December 2016. A candidate from the National Treasury has been appointed to replace her on the Board from January 2017. Amanda Botha, a standard setter at the ASB, was appointed as her Technical Advisor, which ensures the ASB's ability to impact the decisions made by the IPSASB for this term. The acting Accountant-General and the ASB agreed to enter into a Memorandum of Understanding dealing with the relationship between the National Treasury and the ASB regarding representation on the IPSASB, which will ensure the ASB maintains representation at the IPSASB in future. The memorandum will also deal with the approval process for Standards of GRAP and the appointment of new Board members.

Developing our people

One of the key risks to the ASB is it may fail to attract and retain suitably qualified, competent staff. The Secretariat's small staff complement means having a vacancy for a prolonged period of time can negatively impact on the ASB's ability to achieve all deliverables. The ASB was able to fill one vacancy that occurred in the year within five months and still completed its core deliverables.

As standard-setting is a unique discipline, it is often difficult to ensure staff are appropriately developed on an on-going basis. As a result, the technical staff are given access to an executive coach to assist with areas of development. This form of development has yielded positive results over the years.

Communicating with our stakeholders

The Secretariat undertook a substantial number of consultations during the year, as reported in Section 3 of this report. Many stakeholders were reached through national outreach activities and collaboration with stakeholders. Provinces that were not reached this year were visited in the previous year and the ASB will endeavour to reach all provinces in the coming year. Other organisations assisted the ASB in facilitating its communication activities such as SAICA, through the use of webcasts; and CIGFARO and SALGA, which assisted in arranging face-to-face interactions with preparers nationally and in various provinces. The ASB is grateful for the co-operation received from such organisations and looks forward to continuing this in the future.

The Secretariat met with academic institutions during the year to explore the benefits that can be realised from a working relationship between the ASB and these institutions. The ASB is excited about the opportunities such collaboration will present to support the work of the ASB, such as research of topical issues. This will be explored further in the new financial year.

SECTION ONE

Review of the Operations by the Chief Executive cont.

Ensuring the ASB is well governed

The Board was fully constituted for the year under review. Members have a wealth of experience and knowledge of the public sector and financial reporting. This enabled the Board to deal with complex issues in a meaningful way.

The Operations Committee and the Technical Committee, both committees of the Board, were fully functional in the year under review. The Technical Committee was constituted in the previous year to ensure an appropriate level of debate and scrutiny is exercised in developing pronouncements and dealing with technical matters. This has allowed the Board to focus on exercising oversight over the standard-setting process and devoting more time to the governance of the ASB as an entity.

A number of new policies to govern the operations of the ASB were approved in the year and a few existing policies were updated. The ASB strives to set an example that illustrates an effective Board can exercise good governance over a small public entity.

The Audit and Risk Committee and the internal audit activity continued to be shared with the National Treasury. The ASB has established risk management processes and is in the process of further enhancing its risk management methodology.

I am pleased with the pro-active steps taken by the ASB to be an early adopter of the King IV requirements. Refer to Section 5 of this report for an assessment of the current level of compliance.

Appreciation

I would like to express my thanks to the members of the Board for their leadership and guidance during the year, as well as to my staff for their hard work and dedication. I look forward to further great achievements from our combined efforts in the future.



E Swart
Chief Executive
22 June 2017

SECTION TWO

Review of the ASB's Performance for 2016/2017

The ASB agrees its strategy and annual performance plan with the Minister of Finance, who is the Executive Authority of the ASB.

The ASB has four values:

- We maintain a high standard of professional ethics.
- We set accounting and reporting standards in the public interest, which means 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.

These values are entrenched in the ASB's seven strategic objectives and evidenced through the achievement of its performance targets.

The ASB, as the public sector accounting standard setter in South Africa, operates in an environment that faced significant instability, uncertainty and turmoil in the year under review, which may continue well into the next performance period and even beyond. The performance targets set for 2016/2017 include targets where the ASB's ability to achieve them are impacted by factors not within its control. The ASB recognised the information needs of its external users may be different to information used to manage and measure its performance internally. External users are likely to be interested in information relevant to the ASB's performance based on what the ASB can control. This has led to the rethinking of the strategic objectives, indicators and related performance targets to provide useful information to its external users.

The ASB has combined two existing strategic objectives into a single one for 2017/2018. The strategic objectives *"Realise the potential of our people"* and *"Promote good governance and financial management"* were combined into *"Manage resources to ensure the ASB is well governed"*. Communication is now integrated into all the strategic objectives. The corresponding performance indicators and targets have also been amended for 2017/2018.

How well did the ASB perform in 2016/2017

The assessment of the Board's performance against its strategic objectives and, specifically, its annual targets for 2016/2017 is outlined below.

The ASB met the majority of the performance targets set for the 2016/2017 period for its seven strategic objectives, which are outlined in Diagram 1.

- Achieved means the ASB has met all of the performance targets set for a particular strategic objective in the reporting period.
- Partially achieved means some of the performance targets for a particular strategic objective have not been met in the reporting period. Refer to the discussion on each strategic objective below for the detail.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Diagram 1 – Snapshot of the ASB's performance for 2016/2017



SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Results of activities and achievements

Set Standards of GRAP

Develop Standards of GRAP based on an approved work programme on an on-going basis:

- which provide accounting requirements for all material transactions and events;
- are understandable; and
- that can be implemented by entities in all three spheres of government.

The Board exceeded the target of issuing 19 pronouncements in the year by issuing 17 of the planned pronouncements and four additional pronouncements, totalling 21 pronouncements. The final work programme for 2017 to 2020 was also issued, as planned. To a large extent, the ASB's performance is measured on the projects on the work programme.

The majority of pronouncements issued in the reporting period respond directly to issues raised by stakeholders, or consider the impact of international developments on the local environment.

The following two planned pronouncements were not issued:

- The Exposure Draft on the Amendments to Directive 5 *The GRAP Reporting Framework* for 2017/18: There was no need to issue the Exposure Draft as there were no changes from the prior year.
- The final *Conceptual Framework for General Purpose Financial Reporting* (the Framework) will be issued in 2017/2018 to allow stakeholders sufficient time to respond to the Exposure Draft issued in 2016/2017.

Most notably, the Board issued the following key documents in 2016/2017:

As final pronouncements:

- Standard of GRAP on *Living and Non-living Resources* (GRAP 110).
- Five Standards of GRAP on *Interest in Other Entities* (GRAP 34 to GRAP 38) (also issued for comment).
- Improvements to the Standards of GRAP 2016 (also issued for comment).
- Interpretation of the Standards of GRAP on *Recognition and Derecognition of Land* (also issued for comment).
- Guideline on *Accounting for Arrangements Undertaken in Terms of the National Housing Programme*.

Issued for comment:

- Draft Framework.
- Draft Interpretation on *Liabilities to Pay Levies*.
- Amendments to the Directive on *Transitional Provisions for Revenue Administered by SARS* (Directive 6).
- Draft Transitional Provisions for the Standard of GRAP on *Living and Non-living Resources* (GRAP 110).

The Board commenced research on users' need for information presented in Interim Financial Statements and will use the research to decide if further work in this area is necessary.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Influence the development of international standards

Influence the development on an on-going basis of:

- Private sector standards to minimise differences between the private and public sectors; and
- IPSASs, as appropriate public sector standards, reduce the need for South African public sector amendments in the development of Standards of GRAP.

The ASB influences the development of public sector reporting internationally by:

- ensuring South Africa is represented on the IPSASB,
- participating in task groups and task forces that assist in developing IPSASs, and
- commenting on relevant documents issued for comment.

As the South African government is one of the early adopters of IPSASs, local experience enables the ASB to make valuable inputs into key issues faced by governments with regards to applying accrual accounting. The development of South Africa-specific standards in areas, such as heritage assets and entity combinations, ensures the ASB is able to contribute innovative thinking on new issues considered by the IPSASB.

The Secretariat issued a concurrent Exposure Draft locally for the Consultation Paper on *Public Sector Specific Financial Instruments* issued by the IPSASB. The issuing of the international documents locally for comment enables engagement with the likely stakeholders that will be affected by the proposals. These issues are communicated to the IPSASB to influence the development of the international document before it is finalised. It means fewer changes are needed to respond to issues when considering the document for issue locally.

The Secretariat has commented on all of the proposed pronouncements issued by the IPSASB during the year under review:

- Proposed amendments to the IPSAS on *Employee Benefits*.
- Proposed IPSAS on *Public Sector Combinations*.
- Consultation Paper on *Public Sector Specific Financial Instruments*.

The Secretariat also participates in the task group to review the existing guidance on Public Sector Specific Financial Instruments, as well as the task force on Heritage.

The Secretariat actively monitors developments at the IASB, the global standard setter for private sector financial reporting standards. In particular, the Secretariat participates in the following local committees:

- sub-committees facilitated by SAICA to discuss comments on proposed pronouncements and amendments to IFRSs;
- the Accounting Practices Committee of SAICA;
- the recently established Financial Reporting Technical Committee of the Financial Reporting Standards Council; and
- as an observer at the Financial Reporting Standards Council meetings.

When these committees consider comments on pronouncements issued by the ASB for comment, any public sector issues are raised as part of that process. The IASB did not issue any pronouncements that may be relevant to the public sector for the ASB to comment on in the reporting period under review.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Promote the adoption of the Standards of GRAP

- **Monitor and facilitate the adoption of the Standards of GRAP by public sector entities through the development of transitional provisions and transitional arrangements when the Minister of Finance approves a new standard.**
- **Respond to issues identified by stakeholders by developing FAQs or adding projects to the work programme.**

There were six new Standards of GRAP issued during the year: GRAP 110, and GRAP 34 to GRAP 38. The Board developed proposed transitional provisions for GRAP 110 and proposed an effective date of 1 April 2019, in consultation with trilateral parties. The proposed transitional provisions and effective date have been published for comment. The transitional provisions for GRAP 34 to GRAP 38 will be considered as a separate project and an assessment will be done to determine if a new effective date needs to be determined by the Minister of Finance.

The Secretariat facilitates trilateral meetings between the ASB, the National Treasury and the AGSA. The purpose of these meetings is to:

- identify potential barriers to the implementation of Standards of GRAP;
- facilitate strategic co-operation between the entities on financial management reforms; and
- identify any emerging issues that require action by either party.

Three of the four scheduled trilateral meetings were cancelled pending the appointment of an Accountant-General. One meeting was held with the trilateral parties to discuss the proposed transitional provisions and an effective date for GRAP 110. The trilateral parties agreed to continue the meetings for the foreseeable future as the trilateral relationship remains of strategic importance for public sector financial management.

No translations of the Standards of GRAP were completed in the year under review.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Monitor the application of the Standards of GRAP

- Monitor and evaluate the consistent application of the Standards of GRAP on an on-going basis by considering whether or not the needs of users are met.
- Respond to issues identified by stakeholders by developing FAQs or adding projects to the work programme.

A key mechanism used to monitor the application of the Standards of GRAP is undertaking post-implementation reviews. This has proved to be a highly effective tool to identify whether the Standards of GRAP are meeting the needs of users and to identify key practice issues the Board may need to address.

The Board's policy does not require that a post-implementation review be undertaken for each standard. Instead, reviews are focused on those standards where issues have been highlighted through audits and discussions with stakeholders. In response to the cost containment initiatives of the Minister of Finance, no post-implementation reviews were undertaken for the year, as it requires extensive travelling to all the stakeholders at municipalities, provinces and public entities.

The Secretariat facilitates regular PSAF meetings. The objective of the PSAF is to discuss issues related to financial accounting and reporting in the South African public sector. The Forum consists of representatives of the ASB, the National Treasury, the AGSA, professional bodies and practitioners with an interest in public sector financial accounting and reporting, including preparers, auditors, users, consultants and academics. A total of eight PSAF meetings were held during the year.

Based on on-going engagement with stakeholders, the Secretariat identified the need for clarity on six key issues. This resulted in the issue of FAQs on the following topics:

- The application of the three year transitional period relating to the initial adoption of Standards of GRAP.
- The implications on compliance with the Standards of GRAP when an exemption is granted by the Minister of Finance.
- The versions of the Standards of GRAP to be applied on first time adoption.
- The implications of non-recognition of certain assets when permitted by Standards of GRAP.
- The recognition of heritage items listed by the South African Heritage Resource Agency as heritage assets in terms of GRAP 103.
- The presentation of expenditure on repairs and maintenance in the financial statements.

The Secretariat works closely with the staff of the AGSA and the OAG to resolve issues that arise during the PFMA and MFMA audit cycles. A protocol has been established to outline the process to be followed to resolve disputes between parties when they arise and has been implemented.

The piloting of the mSCOA started on 1 July 2016 at a few municipalities. The Secretariat facilitated discussions between the implementation team at the National Treasury and the affected stakeholders to ensure early identification of any inconsistencies with the Standards of GRAP, or any application issues. The Secretariat received early versions of mSCOA documents for review from the National Treasury and provided comments on these documents in the reporting period. The Secretariat also facilitated on-going discussions on mSCOA matters during the reporting period through the PSAF.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Realise the potential of our people

- Maintain the level of capability needed to deliver the outputs required and the strategic priorities outlined.

It is important the ASB has a well-established, functioning Board and that its members have the necessary competencies to fulfil their responsibilities. No new Board members were appointed in the reporting period. A vacancy in the position of alternate to the Auditor-General has arisen. When the Minister of Finance approves the nominated replacement, the nominee will receive an induction to facilitate his/her participation, before attending the first Board meeting.

The Secretariat has a small staff complement that performs the ASB's technical work, comprising three standard setters who report to a Technical Director. It is important for all positions to be occupied and it is critical for any vacancies to be filled as soon as possible for the ASB to deliver on its work programme and meet its strategic objectives. One standard setter position was vacant for five months in the year under review. The resignation of staff is not always within the ASB's control, but the ASB did manage to fill this vacancy within the desired period of six months. Despite the vacancy, the ASB issued more than the planned number of pronouncements (refer to strategic objective "*Set Standards of GRAP*") in the year under review. The vacancy did, however, impact on the Secretariat's ability to meet a target on outreach in all provinces (refer to strategic objective "*Communicate with stakeholders*").

As the ASB is an organisation that aims to improve financial reporting, it is important that the technical staff remain up-to-date with the latest developments in financial reporting, and they are able to execute key activities such as research and communication. The technical staff is required to undertake the prescribed number of hours for Continuing Professional Development determined by SAICA, and have access to an executive coach to assist with other developmental needs. Operational staff identify their individual training and development needs.

All the requisite training and development was undertaken during the year under review and all related targets were met.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Communicate with stakeholders

- To increase communication efforts so as to regularly reach all relevant stakeholders over the next five years.

It is important that the ASB reaches all stakeholders on a regular basis as this ensures:

- a wide range of issues is identified both in developing new pronouncements, and on the application of existing Standards of GRAP, which adds to the relevance and credibility of the Board's work; and
- both existing and new practitioners in the public sector are informed of the ASB's activities. Comprehensive information on the engagements undertaken is included in Section 3 of this report.

The Board did not achieve this objective in full as its stakeholder engagement did not reach all nine provinces in the current reporting period. Stakeholder outreach was limited by a staff vacancy, the cancellation of the post-implementation review and the nature of the pronouncements issued by the Board. Those provinces not visited in the current year (Free State, KwaZulu-Natal and Eastern Cape) were visited during the previous reporting period. With a full staff complement for 2017/2018, the Board hopes to be in a position to visit stakeholders in each province in the new financial year.

Although face-to-face meetings were not held in all the nine provinces during the year, two electronic interventions through webinars were hosted. Webinars have the potential to reach those areas that were not visited. Representatives from provinces attended a number of the national outreach activities, e.g. PSAF meetings, Provincial Accountants-General forums, non delegated municipal CFO forums and the CIGFARO mSCOA conference.

Ensuring stakeholders are informed of new developments in standard-setting is always challenging. The ASB's primary communication tool is its website. The Secretariat is exploring ways to improve its effectiveness as a communication tool. Alternative media, such as social media, are being explored.

The Secretariat published a quarterly newsletter and "*Meeting Highlights*", to outline the key decisions and deliberations by the Board.

The Secretariat wrote two articles during the year and submitted them to SAICA for publication. The South African Institute of Government Auditors and CIGFARO did not publish journals during the year under review.

SECTION TWO

Review of the ASB's Performance for 2016/2017 cont.

Promote good governance and financial management

- To ensure the development of Standards of GRAP is done in the most efficient, effective and economic way.

The ASB has received an unqualified audit opinion since its establishment in 2002, and complies with all regulatory requirements.

No adverse findings were reported by the internal audit activity, and any recommendations for improvements in processes and policies, all classified as administrative matters, have been implemented.

Strategic objectives of the ASB for 2017/2018

The ASB combined two existing strategic objectives into a single objective for 2017/2018 and removed the strategic objective on communication, which is now integrated into all the strategic objectives.

The strategic objectives for 2017/2018 are:

1. Set Standards of GRAP.
2. Influence the development of international standards.
3. Promote the adoption of the Standards of GRAP.
4. Monitor the application of the Standards of GRAP.
5. Manage resources to ensure the ASB is well governed.

SECTION THREE

Stakeholder Outreach

Regular dialogue with stakeholders is the key to ensuring the work of the Board remains relevant and credible. It is critical that the Board consults with its stakeholders, which includes preparers, auditors, professional bodies, and users.

Consultation at each stage of the standard-setting process

Consultation is important at each phase of the standard-setting process. This means consultation when pronouncements are developed, once they are implemented, and again when their effectiveness is tested through post-implementation reviews and other mechanisms. For the first time, the Board undertook public consultation on its work programme. Consequently stakeholders had an opportunity not only to be involved in the standard-setting process, but also to set the overall direction of the Board's work for the next three years.

The Board's local outreach for the year is represented as follows:

- 62% was to receive comments on the Board's pronouncements during the public consultation process as well as to develop its work programme for the next three years;
- 26% was to share information and discuss the application of the Board's pronouncements with preparers and auditors;
- 9% was to consult with users; and
- 3% targeted universities, to increase research in areas of accounting in the public sector, and to identify potential areas of collaboration between the ASB and academics.

Expanding the ASB's reach through innovation

The Board's stakeholder outreach has traditionally focused on face-to-face interactions through workshops, conferences and meetings. The Board's objective is to undertake outreach with stakeholders in each of the nine provinces.

To ensure a geographically broad range of stakeholders is reached, the traditional types of interactions can have significant travel and other costs. With increasing constraints on financial resources, the Board has leveraged relationships with stakeholders, such as SAICA, to maximise the reach of individual interventions. During the year, two webcasts were held with SAICA to discuss Exposure Drafts issued by the Board as well as to communicate information on other key issues with preparers and auditors. Another three video recordings were made on Exposure Drafts and other pronouncements issued by the Board, which have been made available online for viewing. It is anticipated these types of initiatives will increase during the next financial year.

Our activities for the year

The Board undertook a total of 53 local (2016: 47) and two international (2016: five) consultations during the year. The number of local consultations has remained relatively constant year on year, with a slight increase in 2017, as 11 documents were issued for comment both in 2016 and 2017. A detailed list of the Board's outreach for the year is available on the ASB's website.

The number of consultations in a particular province in a year is largely dependent on invitations from the relevant organisations within the province. Although a significant number of consultations were undertaken during the year, the Board did not reach the Eastern Cape, Free State and KwaZulu-Natal. Information about the geographic distribution of the local consultations undertaken during the year is outlined in Table 1 and Diagram 2.

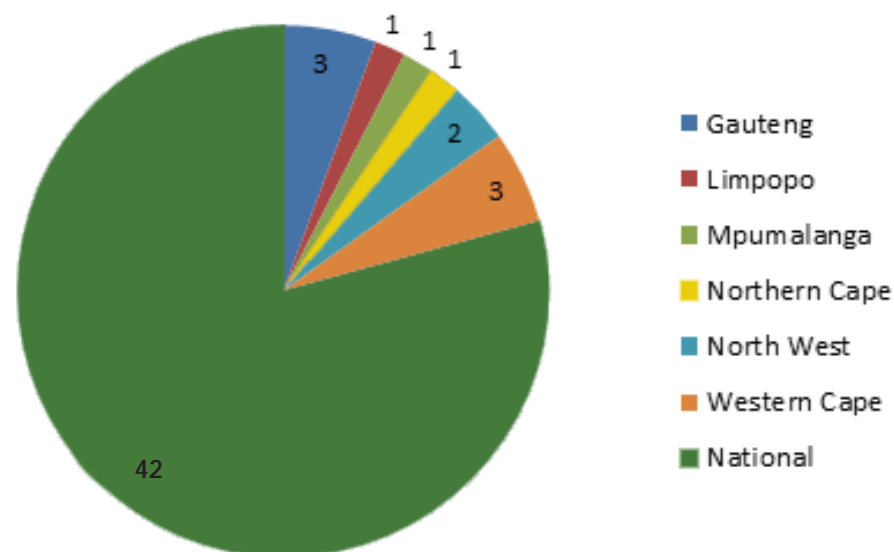
SECTION THREE

Stakeholder Outreach cont.

Table 1 – Geographic distribution of local consultations for the year, compared to prior year.

Province	No. of Consultations		Geographic Distribution of Engagements	
	2017	2016	2017	2016
Eastern Cape	0	1	0%	2%
Free State	0	1	0%	2%
Gauteng	3	2	6%	4%
KwaZulu-Natal	0	2	0%	4%
Limpopo	1	0	2%	0%
Mpumalanga	1	0	2%	0%
Northern Cape	1	0	2%	0%
North West	2	1	3%	2%
Western Cape	3	5	6%	11%
National	42	35	79%	75%

Diagram 2 – Geographic distribution of engagements for 2017



SECTION FOUR

Sustainability of the ASB

Being a good corporate citizen requires being conscious about the effect the ASB's operations have on the workplace, the economy, society and the environment. In particular, the ASB assesses how it affects or contributes towards behaving in a responsible and sustainable manner in each of these areas. While Section 5 of this report addresses the workplace, the economy, and society, this section focuses on the ASB's impact on the environment.

Overview

The ASB's activities are of such a nature that the Secretariat operates in an office-based environment, and undertakes travel by road or air to engage with stakeholders. As such, the key resources the ASB uses that impact on the environment are:

- paper;
- water;
- energy; and
- carbon emissions through travel.

Consumption for the year

Table 2 outlines the ASB's use of these resources during the 2016/2017 reporting period.

Table 2 - Consumption levels for the year under review, compared to those of the prior year

	2016/2017	2015/2016	Change
Paper	205 kg	389 kg	-47%
Water	95 kL	39 kL	144%
Electricity	13 764 kW	18 923 kW	-27%
International air travel	95 130 km	129 677 km	-27%
Domestic air travel	31 780 km	42 048 km	-24%

SECTION FOUR

Sustainability of the ASB cont.

Paper

The ASB has reduced its paper usage during the year by 47%. This is due the fact that:

- All printers are set to print double side, and in the majority of instances, printing is done with four pages of text on a single page.
- Documents for meetings of the Board and its committees are no longer printed.
- Waste paper is recycled wherever possible.

Water

The water consumption for the period has increased by 144%. As the water meter is shared with the other tenant in the building, it is difficult to determine whether the increase in consumption is due to additional usage by the ASB. The matter is being investigated with the landlord.

Energy

The electricity usage has reduced by 27% since 2015/2016. The lights in the office and communal areas of the building are switched off every night, and the air conditioners are only used when needed.

Carbon emissions

The Secretariat undertakes a significant amount of air travel domestically to engage with stakeholders. The ASB measures its impact on the environment by calculating the distances travelled by air as this mode of travel results in the most significant output of carbon emissions. The ASB does not measure kilometres travelled by car to attend meetings, workshops and other engagements, nor does it measure the resources consumed by its stakeholders to attend its meetings and project groups.

Being responsible about the ASB's effect on the environment demands changing past practice and taking advantage of new technologies. The presentation of webcasts, along with the recording of information on topics which are then made available on the internet, has greatly reduced the need to travel because of the diversity of audiences such interventions reach. The ASB is currently reviewing how it could use social media more effectively to reach audiences, to maximise feedback received, to communicate its key messages, and keep stakeholders informed of latest developments. All these initiatives, together with the fact that not all nine provinces were visited this year, have resulted in domestic air travel being reduced by 24%.

The negative effects air travel has on the environment have not been offset, as contributing to carbon offset programmes offered by airlines is often prohibitive in terms of cost, and the Board has insufficient resources to spend on such programmes.

International air travel is necessary for participation in the IPSASB meetings or to promote the adoption of IPSASs. Wherever feasible, teleconferences are held to reduce the extent of international travel, but this is not always possible. As the IPSASB is based in Canada, it is necessary to fly to North America four times a year. The December 2016 meeting was held in Stellenbosch which gave rise to a significant reduction in the international travel for the year. A reduction of 27% from 2015/2016 was recorded.

SECTION FIVE

Governance of the ASB

The implementation of effective governance processes and systems has ensured the Board and its employees are directed, controlled and held to account. These structures are supported by the Board's strategic and annual performance plan.

The Board, which is the accounting authority of the ASB, is responsible for corporate governance and establishing its own operating procedures. The Board fulfils these responsibilities by approving and implementing the necessary policies to ensure the ASB adheres not only to the legislative requirements as set out in the PFMA, but also to the principles in the Protocol on Corporate Governance and King IV.

Application of KING IV

The Board has benchmarked its governance policies and practices to the Recommended Principles set out in King IV. The Board is an early adopter of the principles in King IV, and has identified the following gaps, which will be addressed in the next financial year. The Board, in compliance with King IV, is applying the principles and explaining its practices. A detailed report is available on the [ASB website](#).

Application of King IV
The Board has not elected a Deputy Chairperson, but will attend to it at its June 2017 Board meeting.
There is no legal requirement at present to establish a social and ethics committee, but having accepted the principle that the ethical tone of an entity is set at the top, social and ethical issues will become a standard agenda item at the Board. The Board has adopted a Code of Conduct, established policies on fraud and corruption, whistle-blowing, conflicts of interest and the disclosure of financial interests and gifts. In addition, the remuneration policy is focused on rewarding appropriate behaviour.
The Board and its committees have the right to obtain independent, external professional advice. To enable the members to exercise this right, when deemed appropriate, a paragraph will be included in their letters of appointment to advise them of the need to consult the Chairperson or Executive Authority, being the Minister of Finance, to enable the Board to reprioritise existing activities so that payment can be made for such independent, external professional advice. The letters of appointment will also clarify the need for such independent, external professional advice is limited to exercising appropriate governance, as Board members are appointed for their technical skills. If advice on a technical subject is needed, the Chairperson will guide the member on how to obtain the relevant advice.
Neither the Chief Executive nor the Technical Director are members of the Board, but attend all Board meetings and meetings of committees of the Board to ensure members are provided with all information they may require. As a change in the composition and the structure of the Board would need an amendment to legislation, it will not be pursued at present. This will be revisited at a future date in conjunction with the Minister of Finance, in the unlikely event the Board decides it is not receiving appropriate co-operation from the Chief Executive and the Technical Director.
The Board has agreed to define the skills required to fulfil the roles of the Chief Executive and the Technical Director and to enable all senior staff within the organisation to obtain those skills through appropriate development and coaching. This will enable them to all be competent as possible successors when the need arises.
Currently, the employment contracts of key staff do not address any contractual termination conditions, other than a standard calendar month notice period. The Operations Committee, in its capacity as Remuneration Committee, will review the arrangements and make recommendations in this regard to the Board in the new reporting period.
A review of the report by the external auditors on page 42 will show that, similar to all entities in the public sector, compliance with applicable legislation is assessed annually. The policies and procedures adopted by the ASB will be reviewed during the new financial year to ensure reference is also made to non-binding rules, codes and standards.

SECTION FIVE

Governance of the ASB cont.

Portfolio committees

Parliament exercises its role of evaluating the performance of the ASB by considering its annual financial statements, which, together with other documents, have to be tabled from time to time. The Standing Committee on Public Accounts is periodically required to review the ASB's annual financial statements and the auditor's reports of the external auditor. The Standing Committee on Finance provides oversight over the ASB as an entity under the ownership control of the National Treasury.

Executive Authority

The Minister of Finance is the Executive Authority responsible for the ASB. The Minister of Finance is responsible for appointing Board members and for ensuring those members have the necessary skills and expertise in accounting and public sector finance. Board members should also have the knowledge and understanding of financial reporting and governance to guide the ASB as a public entity. In addition to appointing the Board members, the Minister of Finance determines the implementation dates for Standards of GRAP developed by the Board.

The Board

The Board consists of 10 non-executive members. Board members have a dual function.

Firstly, they are responsible for governance and accountability, and as Accounting Authority, for ensuring the ASB meets the objectives set out in the strategic plan. This activity is executed through the Operations Committee and the Chief Executive.

Secondly, the Board is responsible for setting Standards of GRAP. This activity is executed through the Technical Committee and the Technical Director. The Chief Executive is a member of the Technical Committee.

In its capacity as standard setter, the Board develops and approves Standards of GRAP, Interpretations of Standards of GRAP, Directives, Discussion Papers, Exposure Drafts, and guidelines for those entities required to comply with the Standards of GRAP. Once a Standard of GRAP has been approved by the Board, an implementation date needs to be recommended to the Minister of Finance. Such a recommendation follows consultation with the AGSA and the National Treasury.

The Board is also broadly responsible for promoting transparency in, and effective financial management of, revenue, expenditure, assets and liabilities in the public sector.

SECTION FIVE

Governance of the ASB cont.

The Board has delegated the following functions to the Technical Committee:

- Develop policies and procedures for standard-setting and recommend them for approval to the Board.
- Monitor implementation of the policies and compliance with the procedures.
- Consult on the work programme for the medium expenditure timeframe and recommend the work programme to the Board for approval.
- Monitor the work programme and progress on projects.
- Review the development of technical documents and recommend them to the Board for approval.
- Monitor compliance with the due process.
- Monitor performance against predetermined performance indicators and related targets and recommend appropriate remedial action for any deviations to the Board.
- Monitor emerging issues and make recommendations to the Board.
- Report to the Board on all aspects of the standard-setting process.

To ensure the Board maintains its integrity and fulfils its governance and accountability responsibilities, it has delegated some of its functions to the Operations Committee to assist with the effective performance of its functions:

- Formulate, monitor and review the strategic plan, major plans of action and risk policies for recommendation to the Board.
- Monitor the operations of the ASB, as delegated to the Chief Executive, to ensure it complies with all applicable legislation and other government policy.
- Monitor the implementation and on-going compliance with approved policies and strategies.
- Monitor compliance with the delegation of authorities to the Chief Executive.
- Consider and recommend the budget to the Board for approval.
- Monitor the ASB's actual performance against the approved budget through the review of management reports.
- Ensure the timely preparation of annual financial statements and submission to the Board as required in legislation and through other prescripts.
- Consider and recommend action to the Board to resolve internal and external audit findings.
- Manage potential conflict of interest and report instances to the Board, where appropriate.
- Review the Materiality and Significance Framework annually and recommend amendments to the Board.
- Consider remuneration and incentive awards for staff, recommending their approval to the Board and overseeing compliance with human resource policies.

SECTION FIVE

Governance of the ASB cont.

Composition and remuneration of Board members

Remuneration of Board members is determined by the Minister of Finance. Employees of national and provincial government and any of their agencies, entities, local government or organs of state are not remunerated. Those members marked by asterisk (*) are not remunerated.

Actual expenses incurred by Board members to attend meetings are refunded.

Table 3 - Composition and attendance of Board meetings.

Name of Board member	Designation in terms of Public Entity Board structure	Date appointed	Qualifications	Area of Expertise	No. of Board meetings attended
T Coetzer	Chairperson of the Board from 1 March 2015 Chairperson of the Operations Committee from 1 March 2015 Independent non-executive member.	Re-appointed for a second term on 1 March 2015	CA(SA)	Public and private sector finance	3 of 4
B Colyvas	Independent non-executive member Member of the Operations Committee Chairperson of the Technical Committee	Re-appointed for a second term on 1 March 2015	CA(SA)	Technical accounting and auditing (public and private sector)	4 of 4
K Makwetu* (Auditor-General)	Independent non-executive member	1 December 2013	CA(SA)	Public sector audit	0 of 4
S Badat* (Alternate: K Makwetu)	Independent non-executive member	Re-appointed for a second term on 1 March 2015 Resigned on 28 February 2017	CA(SA)	Public sector audit	1 of 3

SECTION FIVE

Governance of the ASB cont.

Name of Board member	Designation in terms of Public Entity Board structure	Date appointed	Date appointed	Area of Expertise	No. of Board meetings attended
J Nair* (Acting Accountant-General)	Non-executive member	18 May 2016	B Com National Diploma: Government Finance	Public sector finance	1 of 4
L Bodewig* (Alternate: J Nair)	Non-executive member Member of the Technical Committee	23 November 2011	CA(SA)	Public sector finance	3 of 4
N Ranchod	Independent non-executive member Member of the Technical Committee	Re-appointed for a second term on 1 March 2015	CA(SA)	Technical accounting and auditing (public and private sector)	3 of 4
R Rasikhinya*	Independent non-executive member Member of the Operations Committee	Re-appointed for a second term on 1 March 2015	CA(SA)	Public sector finance	3 of 4
M Kunene*	Independent non-executive member Member of the Technical Committee	March 2015	CA(SA)	Public sector finance	2 of 4
V Ndzimande	Independent non-executive member Member of the Technical Committee	March 2015	CA(SA)	Public sector finance and consulting	4 of 4
I Lubbe	Independent non-executive member Member of the Technical Committee	March 2015	CA(SA)	Academic (public and private sector accounting)	3 of 4
C Wurayayi*	Independent non-executive member Member of the Operations Committee	March 2015	ACCA	Public sector accounting	2 of 4

SECTION FIVE

Governance of the ASB cont.

Table 4 - Composition and attendance of Operations Committee meetings

Name of Board member	Date appointed	No. of meetings attended
T Coetzer	Re-appointed for a second term on 1 March 2015	4 of 4
B Colyvas	Re-appointed for a second term on 1 March 2015	4 of 4
R Rasikhinya*	Re-appointed for a second term on 1 March 2015	2 of 4
C Wurayayi*	Appointed 1 March 2015	3 of 4

Table 5 - Composition and attendance of Technical Committee meetings

Name of Board member	Date appointed	No. of meetings attended
B Colyvas	21 July 2015	3 of 4
N Ranchod	21 July 2015	3 of 4
M Kunene*	21 July 2015	0 of 4
V Ndzimande	21 July 2015	4 of 4
I Lubbe	21 July 2015	4 of 4
L Bodewig*	21 July 2015	3 of 4
M Mentz*	10 February 2016	4 of 4
E Swart*	21 July 2015	4 of 4

SECTION FIVE

Governance of the ASB cont.

Table 6 - Remuneration of Board members

Name of Board member	Board	Operations Committee	Technical Committee	Fee for Chair	Total 2017	Total 2016
Paid to members:						
T Coetzer	44 896	28 060	-	113 338	186 294	177 373
B Colyvas	58 225	28 060	40 687	-	126 972	107 548
I Lubbe	42 791	-	46 299	-	89 090	67 468
V Ndzimande	58 224	-	46 299	-	104 523	86 172
Paid to Employer:						
N Ranchod	45 583	-	46 383	-	91 966	86 813
Total	249 719	56 120	179 668	113 338	598 845	525 374

Table 7 - Remuneration of Chairperson of the Audit and Risk Committee

Name of Chairperson	Board	Operations Committee	Technical Committee	Fee for Chair	Total 2017	Total 2016
O Matloa	58 225	-	-	-	58 225	-

SECTION FIVE

Governance of the ASB cont.

Audit and Risk Committee

Due to the size and nature of the ASB, it shares the National Treasury's Audit and Risk Committee. The National Treasury remunerates the members of the Audit and Risk Committee.

The National Treasury is responsible for the governance and accountability of the Audit and Risk Committee. An unimpeded direct link to the ASB's Board and committees is ensured by the Chair of the Audit and Risk Committee attending the Board meetings and the Chief Audit Executive attending the meetings of the Operations Committee.

Information on attendance of the Audit and Risk Committee members at meetings and remuneration is included in the annual report of the National Treasury. The ASB remunerates the Chairperson of the Audit and Risk Committee for attendance of Board meetings.

Information on the members of the Audit and Risk Committee is set out in the committee's report on page 38.

Internal control and risk management

The Board, with the assistance of the internal audit activity and the Audit and Risk Committee, ensures an effective, efficient and transparent system of internal control is implemented and maintained so the ASB can meet its strategic objectives. This is done through the establishment of an appropriate control environment.

Due to the size and the nature of the ASB's operations, a comprehensive system of internal control and risk management is not feasible. The Chief Executive is responsible for supervising the day-to-day operations of the ASB while the Operations Committee monitors compliance with applicable legislation against the Board's approved operating and policy procedures to ensure goals and objectives are achieved.

Reliance is also placed on the internal and external audit, as these functions play an important role in providing assurance that the effective internal control systems are maintained.

The Board has ensured the necessary policies, procedures and practices are in place to identify and respond to all risks faced by the ASB in a timely and adequate manner. This includes an annual assessment of risks associated with the functions and operations of the ASB, and frequently updating its risk management strategy in response to these risks.

Internal audit activity

The internal audit activity provides assurance the Board maintains an effective and efficient internal control environment.

The internal audit activity is responsible for:

- evaluating the Board's controls in determining its effectiveness, efficiency and economy;
- improving and enhancing existing controls; and
- where appropriate, developing new recommendations.

As with the Audit and Risk Committee, the ASB shares its internal audit activity with the National Treasury. The internal audit activity conducted various reviews and assessments of the ASB's control environment in the period under review. The results were directly reported to the Audit and Risk Committee.

No significant deviations from internal controls were reported from these assessments.

A review of the quality of the internal audit activity is performed by an external assurance provider every five years. The review includes the work done by the internal audit activity for the ASB.

External audit

Nexia SAB&T are the external auditors of the ASB. No non-audit services were provided by the external auditors. Their report is set out on pages 42 to 45.

The Audit and Risk Committee has recommended to the Board that after six years of audit by Nexia SAB&T, it would be appropriate to consider rotation of external auditors. Having followed the prescribed processes to appoint independent assurance providers, the Board approved the appointment of Morar Incorporated as independent external auditors for the financial year commencing on 1 April 2017.

SECTION FIVE

Governance of the ASB cont.

Combined assurance

The combined assurance model is an essential and fundamental element relied on by the Board in forming its view of the adequacy of risk management and internal control in the ASB.

The combined assurance model recognises three lines of defence, which are as follows:

Table 8 – Combined assurance

Level 1	Level 2	Level 3
Operational management	Risk resilience and compliance management	Internal and external audit
Assurance over the adequacy of risk management, effective adherence to systems of internal control and delivery against predetermined strategic objectives and performance measures	<p>Oversight by Operations Committee, Technical committee and Audit and Risk Committee.</p> <p>Assurance over the implementation of risk and compliance management policies and processes</p>	<p>The internal audit activity provides assurance over the adequacy of the systems of internal control, risk management, control and governance processes.</p> <p>External audit provides independent reasonable assurance that the financial statements are free from material misstatement and are prepared in all material respects in accordance with the Standards of GRAP. External audit also has a responsibility to report findings on the reported performance against predetermined objectives and compliance with legislation in the auditor's report.</p>

Compliance with legislation

The Board has established and implemented various policies to consider compliance with the applicable legislation, which are updated on a regular basis.

Fraud and corruption

The Board has developed and implemented a fraud prevention plan to address the risk of fraud and corruption. No incidents were identified or reported during the financial year.

Minimising conflicts of interest

To minimise conflicts of interest, the Board has developed and implemented appropriate procedures to deal with this matter. All Board members and the Secretariat are required to complete an annual declaration of interests. At each Board meeting, the declarations of Board members are updated. Newly appointed staff are required to declare all actual or perceived conflicts of interest on appointment. When new conflicts of interest arise, staff are required to declare such interest in the appropriate register, and are reported to the Board.

SECTION FIVE

Governance of the ASB cont.

Code of Conduct

The Board has approved and implemented a Code of Conduct that requires all Board members and the Secretariat to conduct the ASB's operations fairly, impartially, in an ethical and proper manner, and in full compliance with all known and applicable legislation. The Board expects all staff to share its commitment to high moral, ethical and legal standards. Any violations of the Code of Conduct are reported to the Chief Executive, the Chairperson of the Board and to the internal and external audit, where applicable.

Strategic plan, annual performance plan and budget

The Chief Executive prepares the strategic plan, annual performance plan and budget after consulting the Board and the Secretariat, for consideration and approval by the Board. These documents are submitted to the National Treasury for consideration. The documents are submitted to the Minister of Finance for approval and tabled in Parliament.

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

Financial sustainability

The current allocations made over the MTEF period are sufficient to allow the ASB to undertake its core activities, but excluded post-implementation reviews of the Standards of GRAP. Any reductions in these allocations would mean the ASB would need to curtail its core activities.

The ASB is conscious of expenses and complied with the National Treasury's cost containment measures.

Social responsibility

Because the ASB is funded through the National Treasury allocations, which are indirectly funded through taxpayer and other public contributions, its policy is not to make donations or contributions for social responsibility. Staff may from time to time make voluntary contributions or volunteer in their personal capacity.

The ASB's procurement policies are aligned with the South African Constitution, Act No. 108 of 1996, the PFMA and Treasury Regulations, and the BBBEE Act, Act No. 53 of 2003. The ASB only does business with suppliers registered on the National Treasury Central Supplier Database and ensures preference is given to suppliers that have achieved the highest score in terms of, among others, BBBEE rating and price. The ASB further supports small businesses through its procurement policies and pays well within the legislated 30 day period.

Health, safety and environmental issues

The Board has approved an occupational health and safety policy aimed at providing and maintaining a safe and healthy working environment for all its staff. This policy is regularly reviewed.

No breakdowns in the ASB's policy concerning health, safety and other environmental issues were recorded in the reporting period. Refer to Section 4 of this report for the ASB's report on environmental sustainability.

Remuneration strategy

Board members are remunerated at the rate of a specialist in accordance with the SAICA Guideline on Fees for Audits Done on Behalf of the AGSA.

Evaluation of performance of the Board

The Board has introduced an approach to its own performance that recognises the relevant roles and responsibilities and cohesion of the Board based on the length of time over the three year period of appointment of the individual Board members.

Based on the assessment in the current year, the Board is satisfied no significant issues were identified in the performance of individuals and as a group, other than the need to strengthen the contribution from the representatives of the National Treasury, both in attendance and providing strategic direction, which has been agreed with the National Treasury. A Memorandum of Understanding is being implemented to drive this initiative.

SECTION SIX

Managing and Developing the People of the ASB

During the reporting period, the staff complement remained unchanged from the previous period. One technical staff member resigned and was replaced. The ASB team has remained relatively stable since its inception which is evident by several long-serving team members. This has enabled the ASB to ensure institutional knowledge has been retained. Retaining those skills, knowledge and capabilities is the cornerstone of the success and sustainability of the ASB.

Overview of human resources

Human resource priorities and key strategies to attract and retain capable workforce

The main priority for 2016/2017 was to ensure our talented staff are developed to their full potential, not only in their individual capacity, but as valuable team players, in an increasingly mobile market environment with a shortage of skilled and experienced staff.

In its bid to retain staff, the Board has a suite of policies that sets out a well-developed, articulated and compelling “people promise” to attract and retain the best people. This value proposition is designed to appeal to existing staff and convince potential staff to join the ASB. The “people promise” also intends to differentiate the ASB from other employers and position the organisation as an employer of choice.

Policy development and challenges faced by the ASB

The Board, through the Operations Committee, regularly reviews existing policies and procedures to address all human resource related matters and any challenges faced by the ASB. The retention of key staff and the recruitment of skilled technical staff, when vacancies occur, remain significant challenges to meet the Board's objectives as set out in its strategic plan.

The ASB has a staff complement of seven, which includes five qualified chartered accountants who specialise in technical accounting research and development. Although all positions are currently filled, potential candidates to address any vacancies are scarce.

Employment equity

The ASB supports employment equity in the workplace. The demographic composition of the ASB at reporting date was as follows:

	African	Coloured	Indian	White
Board:				
Female	2	0	1	2
Male	3	0	1	1
Total Board:	5	0	2	3

	African	Coloured	Indian	White
Secretariat – technical staff:				
Female	1	-	-	4
Male	-	-	-	-
Secretariat – operational staff:				
Female	-	2	-	-
Male	-	-	-	-
Total Secretariat	1	2	-	4

Grand Total	6	2	2	7
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SECTION SIX

Managing and Developing the People of the ASB cont.

Human resource oversight statistics

Remuneration of staff

The ASB has a remuneration policy to establish and maintain competitive, fair, equitable and market-related compensation to attract, motivate and retain staff. Staff are recognised in accordance with their current skills and competency levels while giving them the opportunity to develop. Details of the Chief Executive's and Technical Director's remuneration are provided in the notes to the financial statements.

All the positions in the ASB have been graded using the Patterson scale of grading as this grading scale is sufficiently flexible to determine pay scales for each staff member.

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

Table 9 - Personnel cost by salary band

Level	Personnel Expenditure	% of Personnel Exp. to total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	(R'000)			(R'000)
Management	5 276	51.2%	2	2 638
Professional qualified	4 071	39.6%	4	1 357
Skilled	732	7.1%	1	732
Semi-skilled	241	2.1%	1	241
SUB-TOTAL	10 320			
Movement in Leave Provision	119			
TOTAL	10 439			

SECTION SIX

Managing and Developing the People of the ASB cont.

Performance rewards

Enabling our staff to perform to their fullest potential ensures the Board delivers on its mandate. The Board uses staff performance appraisals and development plans to manage its talented workforce and to ensure staff contribute effectively.

The Board acknowledges the need for an effective incentive scheme and policy that allows for the recognition and reward of both organisational and individual performance. This is part of the development and implementation of a performance management process within the ASB.

The Board has therefore implemented an incentive scheme with a variable component allocated based on 40% in favour of organisational performance and 60% in favour of individual performance. Incentives to a maximum of 30% of guaranteed remuneration are paid, at the discretion of the Board, when funds are available.

The Chairperson evaluates the Chief Executive's performance and the Operations Committee oversees the performance reviews and remuneration of the Secretariat.

Table 10 – Percentage performance rewards versus salary cost

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Personnel Expenditure
	(R'000)	(R'000)	
Management	1 347	5 276	25.5%
Professional qualified	781	4 071	19.2%
Skilled	148	732	16.9%
Semi-skilled	45	241	20.2%
TOTAL	2 321	10 320	22.5%

Table 11 - Employment and vacancies

	2015/2016	2016/2017	2016/2017	2016/2017	
Level	No. of Employees	Approved Posts	No. of Employees	Vacancies	% of Vacancies
Management	2	2	2	0	0
Professional qualified	3	3	3	0	0
Skilled	1	1	1	0	0
Semi-skilled	1	1	1	0	0
TOTAL	7	7	7	0	0

SECTION SIX

Managing and Developing the People of the ASB cont.

Development of staff

The Board is committed to delivering quality services through its staff. It thus ensures all staff receive up-to-date, relevant and effective training and development so the Board can fulfil its mission and vision. Various policies and procedures concerning the training and development of staff have therefore been developed and approved by the Board. These policies and procedures are aimed at ensuring staff develop at both a personal and a career level.

Table 12 – Expenditure on training and development

Personnel Expenditure	Training Expenditure	Training Expenditure	No. of employees trained	Average Training Cost per Employee
(R'000)	(R'000)	% of Personnel Cost		(R'000)
10 320	128	1.2%	7	18

SECTION SEVEN

Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2017.

Background

- The Audit and Risk Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the PFMA and Treasury Regulation 27.1.
- The Committee has adopted a formal terms of reference as its audit 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 also have appropriate experience.
- The Committee met 5 times during the year.
- 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 Octavia Matloa (Chairperson)	Chartered Accountant (SA), B.Com (Hons) and CTA	1 July 2013	5 of 5
Ms Anna Badimo	B.Sc Computer Science B.Sc Hons Computer Science MBA, MSC, CISM, CGEIT, M. InstD, Cobol Programming Diploma, Project Management Diploma	1 July 2015	5 of 5
Ms Berenice Francis*	Certification in Control Self-Assessment (CCSA), Certified Internal Auditor (CIA), B.Compt (Hons) and B.Com Accounting	1 August 2013	1 of 2
Mr Ameen Amod	Master in Business Administration, Bachelor of Commerce, Certificate in Internal Audit (CIA), Certified Government Auditing Professional Auditor and Certification in Risk Management Assurance, Chartered Director (SA)	1 July 2015	5 of 5
Mr Brandon Furstenburg	Master of Science (MSc) in Financial Management, Master of Commerce (MCom) in Economics, BCom Hons, Bcom and FAIS exams: RE1, RE3 & RE5	1 June 2017	4 of 4
Mr. Charl de Kock	Masters in IT Auditing, Honours degree in Accounting, Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), South African Institute of Professional Accountants (SAIPA)	1 February 2017	-
Mr Luyanda Mangquku	Chartered Accountant (SA), Masters in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	1 July 2015	5 of 6

*Ms. Berenice Francis' term ended on 31 July 2016.

SECTION SEVEN

Report of the Audit and Risk Committee cont.

The Audit Committee's Responsibilities

The Committee in conjunction with the Risk Committee is satisfied that it has discharged its responsibilities in assisting the Accounting Authority with the following activities:

- Reviewing the adequacy, reliability and accuracy of the financial information provided by management and other users of such information;
- Overseeing the activities of, and ensuring coordination between, the activities of internal and external audit;
- Providing a forum for discussing exposures to financial and enterprise-wide risks and monitoring of controls designed to minimise these risks;
- Reviewing the entity's quarterly performance information, annual report, including annual performance information and annual financial statements;
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters; and
- Annually reviewing the Committee's work and charter making recommendations to the Accounting Authority to ensure the Committee's effectiveness.

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 consolidated risk profile, provided by the Enterprise Risk Management unit, critical audit areas and managements inputs in the formulation of its 3 year strategic and annual plans.
- The entity has a Risk Committee which is chaired by an independent member who reports directly to the Audit Committee.
- Due to a number of internal challenges which are in the process of being addressed the Risk Management Committee met 2 times during the year under review.
- A risk register is updated annually to ensure that all the major risks including emerging risks facing the organisation are effectively managed.

SECTION SEVEN

Report of the Audit and Risk Committee cont.

Internal Audit

The Committee approved a risk based 3 year rolling Strategic Plan and an Annual Internal Audit Coverage Plan for periods 1 April 2016 to 31 March 2019 covering the following key audit activities for the 2016/2017 financial year:

Type	Total Planned Audits	% Completed
Regularity Audit	12	100%
Compliance Audit	-	-
Performance Audit	1	100%
Information Technology Audit	1	100%
Ad-hoc Audits	-	-
Total planned audits	3	
Cancelled audits	1	

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.

Accounting and Auditing Concerns Identified by Internal Audit

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

Other Identified Concerns

The Committee noted the following areas of concern:

- Delays in the approval of the new accounting standards by the Executive Authority;
- Financial constraints limiting the organisation's ability to deliver on its mandate; and
- Challenges in recruiting and retaining specialised skills.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

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 organisation's operations.

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 the Auditor-General, that the financial information provided by management to users of such information is adequate, reliable and accurate.

SECTION SEVEN

Report of the Audit and Risk Committee cont.

External Audit

- The Committee has reviewed the independence and objectivity of the external auditors.
- The external auditors attended 6 meetings of the Committee
- The Committee did not have any in-camera meetings with the external auditors.
- 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, Risk Committee, etc.
- Noted managements' actions in addressing identified control weaknesses and is satisfied with the following achievements reported for the year:

Assurance Provider	Total Findings	Resolved Findings	Unresolved Findings
Internal Audit	30	30	0
External Audit	0	0	0

- We also noted findings raised by Internal Auditors in the area of Performance Information which management has addressed and will be effected in the new strategic plans.

In light of 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

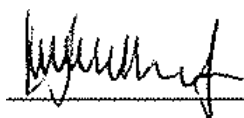
- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act and are satisfied that no material deviations were noted.
- The Committee also noted managements' policies and procedures to ensure compliance with applicable laws and regulations.

Evaluation of Financial Statements and Annual Report

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2017 and duly recommended it for the Accounting Authority's approval prior to being submitted to the external auditors for audit.

The Committee considered the Auditors' Management and Audit reports; and concurs with their conclusions. The Committee therefore accepts the audit opinion expressed by the external auditors on the annual financial statements, and annual report.

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



Octavia M. Matloa
Chairperson
Date: 26 July 2017

SECTION SEVEN

Independent Auditor's Report to Parliament on the ASB



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Independent auditor's report to Parliament on the Accounting Standards Board

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Accounting Standards Board set out on pages 48 to 64, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Accounting Standards Board as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa (PFMA).

Basis for opinion

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.

We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct for registered 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 with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (parts A and B).

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

Responsibilities of the accounting authority

The Board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 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.

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 entity or to cease operations, or has no realistic alternative but to do so.

Incorporating:



Directors: B Adam (CEO), A Aboobaker, Z Abrams, C Chigora, A Darmalingam, T de Kock, J Engelbrecht, Y Hassen, N Hassim, S Ismail, B Jhetam
H Kajie, S Kleovoulou, S Makamure, P Mawire, T Mayet, N Medupe, K Rama, Y Soma, Z Sonpra, N Soopal, M F Sulaman, I Theron
H van der Merwe, M Wessels

Offices in: Bloemfontein, Cape Town, Centurion, Durban, Kimberley, Nelspruit, Polokwane, Port Elizabeth, Rustenburg
SAB&T Chartered Accountants Incorporated is an independent member firm of Nexia International
Company Registration Number: 1997/018869/21 | IRBA Registration Number: 921297



SECTION SEVEN

Independant Auditor's Report to Parliament on the ASB cont.

Auditor's responsibilities for the audit of the financial statements

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in annexure A to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Accounting Standards Board for the year ended 31 March 2017.



Objectives	Pages in annual performance report
Objective 1: Set Standards of GRAP	13
Objective 2: Promote the adoption of the Standards of GRAP	15
Objective 3: Monitor the application of the Standards of GRAP	16
Objective 4: Realise the potential of our people	17
Objective 5: Communicate with our stakeholders	18

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Objective 1: Set Standards of GRAP.
- Objective 2: Promote the adoption of the Standards of GRAP.
- Objective 3: Monitor the application of the Standards of GRAP.
- Objective 4: Realise the potential of our people.
- Objective 5: Communicate with our stakeholders.

Other matter

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages 12 to 19 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of targets.

SECTION SEVEN

Independant Auditor's Report to Parliament on the ASB cont.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of PAA.

Other information

The Accounting Standards Board's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the reports by the accounting authority and the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

In our opinion 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 thereon.

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. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, however the objective is not to express any form of assurance thereon. We did not identify any significant deficiencies in internal control.

Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB& T has been the auditor of the Accounting Standards Board for seven years.

Nexia SAB& T

Nexia SAB& T

Per: Caroline Chigora

Director

Registered Auditor

31 July 2017



SECTION SEVEN

Independant Auditor's Report to Parliament on the ASB cont.

Annexure – Auditor's responsibility for the audit

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 reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in the 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 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 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 related to events or conditions that may cast significant doubt on the Accounting Standards Board's ability 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 the opinion on the financial statements. Our conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

SECTION EIGHT

Statement of Board Members' Responsibility

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 Nexia SAB&T, the independent external auditors.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared having regard to the guidelines on the annual report as issued by the National Treasury.

The annual financial statements have been prepared in accordance with the Standards of GRAP and the PFMA.

The Board 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, which 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 independent 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 2017.

Signed on behalf of the Board by



Chief Executive
E Swart
22 June 2017



Chairperson of the Board
T Coetzer
22 June 2017

SECTION EIGHT

Annual Financial Statements

Contents:

Statement of Financial Performance.....	48
Statement of Financial Position.....	49
Statement of Changes in Net Assets.....	50
Cash Flow Statement.....	51
Statement of Comparison of Budget and Actual Amounts...	52
Summary of Material Accounting Policies.....	53-54
Notes to the Financial Statements.....	55-64
Annexure A - Technical Support Received.....	65-67

SECTION EIGHT

Statement of Financial Performance for the Year Ended 31 March 2017

Figures in Rand

Revenue

Non-exchange revenue

Transfer

Exchange revenue

Interest

Other revenue

Expenditure

Depreciation

Employee benefits

Operating expenditure

Deficit for the year

Note	2017	2016
	12 517 000	11 274 000
	191 284	127 615
	168 700	203 100
	359 984	330 715
	12 876 984	11 604 715
6	(69 735)	(13 727)
1	(10 438 889)	(8 838 359)
2	(2 453 916)	(2 827 089)
	(12 962 540)	(11 679 175)
	(85 556)	(74 460)

SECTION EIGHT

Statement of Financial Position as at 31 March 2017

Figures in Rand

Assets

Current assets

Cash and cash equivalents

Receivables from exchange transactions

Non-current assets

Property, plant and equipment

Total assets

Net assets and liabilities

Liabilities

Current liabilities

Payables from exchange transactions

Employee benefit provisions

Net assets

Accumulated surplus

Total net assets and liabilities

Note	2017	2016
4	442 820	441 257
5	68 504	55 308
	511 324	496 565
6	191 318	184 151
	702 642	680 716
7	337 981	349 646
8	326 799	207 652
	664 780	557 298
	37 862	123 418
	702 642	680 716

SECTION EIGHT

Statement of Changes in Net Assets for the Year Ended 31 March 2017

Figures in Rand

Balance at 1 April 2015

Deficit for the year

Balance at 1 April 2016

Deficit for the year

Balance at 31 March 2017

Accumulated surplus	Total net assets
197 878	197 878
(74 460)	(74 460)
123 418	123 418
(85 556)	(85 556)
37 862	37 862

SECTION EIGHT

Cash Flow Statement for the Year Ended 31 March 2017

Figures in Rand

	Note	2017	2016
Cash flow from operating activities			
Cash receipts			
Transfer		12 517 000	11 274 000
Other revenue		168 700	203 100
		<hr/>	<hr/>
		12 685 700	11 477 100
Cash payments			
Employees		(10 320 222)	(8 951 162)
Suppliers and other service providers		(2 478 297)	(3 120 294)
		<hr/>	<hr/>
		(12 798 519)	(12 071 456)
Net cash flows from operating activities	9	<hr/> (112 819)	<hr/> (594 356)
Cash flows from investing activities			
Interest		191 284	127 615
Acquisition of property, plant and equipment	6	(76 902)	-
Net cash flows from investing activities		<hr/> 114 382	<hr/> 127 615
Net increase/(decrease) in cash and cash equivalents		1 563	(466 741)
Cash and cash equivalents at the beginning of the year		441 257	907 997
Cash and cash equivalents at the end of the year	4	<hr/> 442 820	<hr/> 441 257

SECTION EIGHT

Statement of Comparison of Budget and Actual Amounts for the Year Ended 31 March 2017

Figures in Rand

Revenue

Transfer		12 517 000	12 517 000	-	12 517 000	-
Interest	15a	191 284	135 527	-	135 527	55 757
Other revenue	15b	168 700	213 255	-	213 255	(44 555)

12 876 984	12 865 782	-	12 865 782	11 202
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Less: Expenditure

		12 962 540	12 940 678	10 660	12 951 338	11 202
Employee benefits	15c	10 438 889	9 767 932	670 957	10 438 889	-
Board remuneration	15d	657 070	727 401	(70 331)	657 070	-
Domestic travel	15e	103 986	170 903	(66 917)	103 986	-
Foreign travel	15f	285 855	350 000	(64 145)	285 855	-
Training and refreshments	15g	135 568	344 144	(208 576)	135 568	-
Communication and marketing	15h	102 856	288 685	(185 829)	102 856	-
Printing and publications		54 935	68 489	(13 554)	54 935	-
Administration	15i	1 183 381	1 223 124	(50 945)	1 172 179	11 202

Deficit for the year

85 556	74 896	10 660	85 556	-
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SECTION EIGHT

Summary of Material Accounting Policies

General information

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

Material accounting policies

The material accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies were consistently applied for the years presented, unless otherwise stated. The material accounting policies relate to the revenue of the ASB and employment benefits, which are the main activities of the ASB. A statement of accounting policies used by the ASB is published on the ASB website at www.asb.co.za.

Basis of preparation

The annual financial statements have been prepared in accordance with Standards of GRAP, as set out in the ASB's 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.

These financial statements are prepared using the going-concern principle and on an accrual basis, in line with the historical cost measurement basis, unless stated otherwise.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered.

Provision for employee benefits

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

Post retirement employee benefits

The ASB contributes to a retirement annuity fund on behalf of its employees and is not liable for any actuarial loss sustained by the fund. Accordingly, no provision has been made for any such losses. As the contributions made are those of the employees from guaranteed remuneration, the contributions paid are expensed as remuneration.

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. Revenue is recognised to the extent that there is no further obligation arising from the receipt of the transfer payment.

Services received in kind

The ASB recognises services received in kind in the Statement of Financial Performance at the fair value of these services received, to the extent that a fair value can be determined reliably.

Comparative information

No reclassification of comparative figures has been made.

Budget information

The financial statements and the budget are prepared on the same basis of accounting. Comparative information is not required for this report.

SECTION EIGHT

Summary of Material Accounting Policies cont.

Critical accounting judgements

Aspects where judgement has been exercised that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are discussed below.

Determination of useful lives for property, plant and equipment

The nature of the ASB's operations results in difficulties in determining the useful lives of items of property, plant and equipment. The asset lives exceed industry norms for similar assets. In re-assessing useful lives, the depreciation charge in the Statement of Financial Performance is adjusted.

Adequacy of the leave pay provision

The leave pay provision is based on actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year.

Standards and amendments to Standards issued but not effective

The following Standards of GRAP and amendments to Standards of GRAP have been issued, but are not yet effective:

Standard	Summary and impact	Effective date
GRAP 20 – Related Party Disclosures	<p>This Standard establishes principles on related party disclosure.</p> <p>The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted as it has been used to inform current disclosures.</p>	<p>Issued by the ASB in June 2011.</p> <p>No effective date has been determined by the Minister of Finance.</p>
GRAP 108 – Statutory Receivables	<p>This Standard prescribes the accounting treatment and disclosure for statutory receivables.</p> <p>The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted as it has been used to inform current disclosures.</p>	<p>Issued by the ASB in September 2013.</p> <p>No effective date has been determined by the Minister of Finance.</p>

Those Standards of GRAP and amendments to Standards of GRAP that have been issued and are not yet effective, which are not relevant to the ASB, are not included in the list above.

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017

Figures in Rand

1. Employee benefit costs

Employee costs – cost to company

Contribution to the UIF

	2017	2016
Employee costs – cost to company	10 426 991	8 826 146
Contribution to the UIF	11 898	12 213
	10 438 889	8 838 359

2. Operating expenditure has been arrived at after charging

Auditors' remuneration - Fees

Depreciation

Domestic travel

Foreign travel

Legal advice

Operating lease expense

Fees paid to consultants

Auditors' remuneration - Fees	109 051	105 222
Depreciation	69 735	13 727
Domestic travel	103 986	120 627
Foreign travel	285 855	270 560
Legal advice	1 327	30 838
Operating lease expense	551 319	522 578
Fees paid to consultants	-	1 539

3. Taxation

The ASB is exempt from income tax in accordance with Section 10(1)(cA)(i) of the Income Tax Act, Act No. 58 of 1962, as more than 80% of its expenditure is defrayed from funds voted by Parliament.

The ASB is exempt from the payment of Value Added Tax (VAT) on the transfer received. As a result, any VAT paid by the ASB is also not refundable by SARS. Accordingly, some of the items of revenue and expenditure and assets and liabilities include VAT.

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

4. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Financial assets

	2017	2016
Cash on hand	228	528
Cash at bank	69 031	424 567
Deposits held in investment accounts	373 561	16 162
	442 820	441 257

5. Receivables from exchange transactions

Deposits	55 186	55 308
Prepayments	13 318	-
	68 504	55 308

Refer to note 11 on financial instruments for how risk is managed in relation to the deposits listed above.

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

6. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	390 618	(282 756)	107 862	390 618	(254 334)	136 284
Office equipment	257 359	(173 903)	83 456	223 161	(175 294)	47 867
Total	647 977	(456 659)	191 318	613 779	(429 628)	184 151

Reconciliation of property, plant and equipment

	Furniture and fittings	Office equipment	Total
Balance 1 April 2015	121 478	76 400	197 878
Disposals at cost	-	(3 830)	(3 830)
Depreciation on disposals	-	3 830	3 830
Depreciation	14 806	(28 533)	(13 727)
Balance 1 April 2016	136 284	47 867	184 151
Additions	-	76 902	76 902
Disposals at cost	-	(42 704)	(42 704)
Depreciation on disposals	-	42 704	42 704
Depreciation	(28 422)	(41 313)	(69 735)
Balance 31 March 2017	107 862	83 456	191 8

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

7. Payables from exchange transactions

	2017	2016
Payables at amortised cost	-	105 299
Accruals for goods and services	240 751	179 588
Payroll related accruals	4 506	4 026
	245 257	288 913
Straight-lining of operating lease	92 724	60 733
	337 981	349 646

Refer to note 11 on financial instruments for how risk is managed in relation to the financial liabilities listed above.

8. Employee benefit provision

Opening balance	207 652	319 051
Increase in provision	698 727	649 961
Change in estimate	22 034	36 210
Leave paid	(23 874)	-
Amounts utilised during the year	(577 740)	(797 570)
Closing balance	326 799	207 652

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

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

9. Net cash flows from operating activities

Deficit for the year

	2017	2016
Deficit for the year	(85 556)	(74 460)
Adjustments for:		
Depreciation	69 735	13 727
Increase/(Decrease) in provisions	119 147	(111 399)
Interest	(191 284)	(127 615)
Changes in working capital:		
Receivables from exchange transactions	(13 196)	34 568
Payables from exchange transactions	(11 665)	(329 177)
	(112 819)	(594 356)

Adjustments for:

Depreciation

Increase/(Decrease) in provisions

Interest

Changes in working capital:

Receivables from exchange transactions

Payables from exchange transactions

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

10. Financial instruments

Financial assets

	Note	2017	2016
Cash and cash equivalents	4	442 820	441 257
Deposits	5	55 185	55 308
		511 324	496 565

Financial liabilities

Payables from exchange transactions	7	337 981	288 913
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11. Financial risk management

Credit risk

Cash and cash equivalents

Cash and deposits are held with an Investment grade rated registered banking institution and are regarded as having insignificant credit risk. The balance is held at the Corporation for Public Deposits (CPD), which has the same rating as the South African Reserve Bank.

Cash in investment accounts are kept at a maximum to maximise interest earned.

The ASB has invested any cash needed in approximately a month in a short term money market account, and the balance in the CPD. The interest rates on these accounts 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.

Liquidity risk

Payables from exchange transactions

The Board is only exposed to liquidity risk with regard to 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 in investment accounts.

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

12. Related parties

Compensation of key management

Chief Executive's remuneration

	2017	2016
Salary	2 181 000	2 006 000
Performance bonus	764 018	405 000
UIF contributions	1 785	1 785
	2 946 803	2 412 785

Technical Director

Salary	1 756 000	1 630 000
Performance bonus	582 931	321 000
UIF contributions	1 785	1 785
	2 340 716	1 952 785

The Board appointed the Chief Executive, Ms E Swart, on 1 March 2003 on a permanent basis.

The performance bonuses are determined after annual performance evaluations of both individual performance and that of the ASB as a whole.

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

Chairperson's fee

	2017	2016
Fee	113 338	110 573
Board meetings	44 896	49 432
Operations Committee meetings	28 060	17 368
	186 294	177 373

Other Board members' fees

Board meetings	263 048	169 565
Operations Committee meetings	28 060	17 368
Project group meetings	-	13 333
Technical Committee meetings	179 668	147 735
	470 776	348 001
	657 070	525 374

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

The ASB does not compensate the members of the Board, the Technical Committee or the Operations Committee for the preparation required for meetings.

Average number of members

Board	10	10
Technical committee	7	7
Operations Committee	4	4

Average number of employees

Secretariat	7	7
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SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

The National Treasury acts on behalf of the Minister of Finance as Executive Authority and has the responsibility to make provision for funding the activities of the ASB by way of a grant listed in the Estimates of National Expenditure.

The ASB also receives Audit and Risk Committee and internal audit services paid for by the National Treasury.

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

13. Commitments

At the reporting date, the ASB had commitments outstanding under a non-cancellable operating lease, which fall due as follows:

Office building and parking

	2017	2016
Due within one year	581 642	551 319
Due within 2-5 years	1 261 014	1 842 656
	1 842 656	2 393 975

The ASB renewed the lease agreement for another 5 year term with effect from 1 April 2015. There is no increase in the rental in the first year and an escalation of rental of 5.5% per annum thereafter. The cost of the lease is straight-lined over the period of the lease.

14. Services received in kind

The ASB received services in kind from:

- The National Treasury for the shared internal audit activity, shared risk management services and remuneration paid to the members of the shared Audit and Risk Committee.
- Members of project groups who are not remunerated by the ASB for their contributions to standard-setting. Refer to Annexure A for the detail of support received.
- Board members who are employees of organs of state who are not remunerated.
- W.consulting for allowing the ASB staff to attend training courses free of charge. A Board member, B. Colyvas, is an employee of W.consulting. The value of services received in kind during the reporting period is R11 155.

SECTION EIGHT

Notes to the Financial Statements for the Year Ended 31 March 2017 cont.

15. Budget variances

The budget was approved by the Board and submitted to the Executive Authority in terms of Section 53(1) of the PFMA.

Explanations for significant variances from the publicly available budget are:

- a. Interest earned on working capital deposited with the CPD earns higher interest than funds deposited with commercial banks.
- b. Staff serving on audit committees of other public entities had fewer ad hoc meetings compared to the previous year.
- c. In accordance with the agreement with staff, savings on other operating expenditure are used as performance based remuneration
- d. Non-attendance by Board members of Board meetings and committees of the Board resulted in the under-utilisation of the budget.
- e. As explained in the performance report, vacancies among staff, the nature of the technical documents and the decision not to perform post-implementation reviews resulted in savings on local travel.
- f. One of the international meetings was held in Stellenbosch, resulting in savings on foreign airfares and accommodation.
- g. The staff vacancy for a few months resulted in a saving in training costs.
- h. The Standards of GRAP that needed to be translated were approved at the March 2017 Board meeting and, as a result, the translation expenditure will be incurred in the new financial year.
- i. After consultation with the insurance provider, the professional indemnity insurance was cancelled and replaced with insurance for directors and officers. .

SECTION EIGHT

Annexure A - Technical Support Received in the Development of the Board's Pronouncements

The table below outlines the technical support received from representatives of the following organisations, in the form of participation in project groups, during the development of pronouncements issued by the Board.

Organisation	Project group						
	Interests in Other Entities	Conceptual Framework	Recognition and Derecognition of Land	Improvements to the Standards of GRAP	Liabilities to Pay Levies	Housing arrangements	Living and Non-living Resources
Auditors							
AGSA	X	X	X	X	X		X
Altimax	X						
Deloitte	X		X	X	X		X
EY	X	X	X	X			X
Grant Thornton			X				
KPMG	X	X	X	X	X		X
PwC	X						
SizweNtsaluba Gobodo		X		X	X		
Preparers							
<i>Local government</i>							
Drakenstein Municipality		X	X	X		X	X
Tshwane Metropolitan Municipality			X	X		X	X
Nelson Mandela Bay Metropolitan Municipality				X	X		

SECTION EIGHT

Annexure A - Technical Support Received in the Development of the Board's Pronouncements cont.

Organisation	Project group						
	Interests in Other Entities	Conceptual Framework	Recognition and Derecognition of Land	Improvements to the Standards of GRAP	Liabilities to Pay Levies	Housing arrangements	Living and Non-living Resources
Ekurhuleni Metropolitan Municipality		X					
City of Cape Town			X				
City of Johannesburg	X						
<i>Provincial government</i>							
Gautrain Management Agency				X	X		
<i>National Government</i>							
Department of Public Works and Property Management Trading Entity			X	X			X
Independent Communications Authority of South Africa		X		X	X		
National Arts Council				X	X		

SECTION EIGHT

Annexure A - Technical Support Received in the Development of the Board's Pronouncements cont.

Organisation	Project group						
	Interests in Other Entities	Conceptual Framework	Recognition and Derecognition of Land	Improvements to the Standards of GRAP	Liabilities to Pay Levies	Housing arrangements	Living and Non-living Resources
Compensation Fund		X					
National Research Foundation		X	X				
Users							
The National Treasury	X		X	X		X	X
Other interested parties							
Institute of Municipal Finance Officers				X	X		
South African Institute of Chartered Accountants	X					X	
South African Local Government Association				X	X		

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