STATEMENT OF ACCOUNTING POLICIES USED IN THE PREPARATION OF ANNUAL FINANCIAL STATEMENTS

General information

The Accounting Standards Board (ASB) is a juristic person established in accordance with the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), and specified in Schedule 3A of that Act. The principal activity of the ASB is the setting of Standards of Generally Recognised Accounting Practice (GRAP).

Accounting policies

The accounting policies applied in the preparation and presentation of the financial statements are set out below. These policies were consistently applied for the years presented, unless otherwise stated. As the ASB is a standard-setter, its significant accounting policies relate to revenue recognition and employee related costs.

Basis of preparation

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

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

Budget information

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

Comparative information

Comparative information was not reclassified or restated. Additional disclosure was provided on board remuneration for the first time in the current financial year. The comparative amounts were also disclosed to conform to the current period presentation.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The depreciable amounts of equipment are allocated on a systematic bases over their useful lives. Management expects to use the assets for their full useful lives and therefore the residual values are estimated to be negligible. Useful lives and residual values are assessed when there is an indication that there is a change in the useful life or residual value.

The estimated useful lives of equipment are as follows:

Item	**Average useful life**
Furniture and fittings	12 – 20 years
Office equipment	3 – 12 years
Computer equipment	3 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in surplus or deficit for the period.

Employee benefits

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

Leave entitlement

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

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

Post-retirement employee benefits

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

Performance awards

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

Revenue

Transfer from the National Treasury

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

Ring-fenced transfers

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

Services received in-kind

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

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

Financial instruments

Initial recognition and measurement

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

Offsetting

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

Other receivables

Other receivables include receivables related to cash advances made for travel-related costs from other organisations or employees. These receivables are stated at cost.

Other income

Other income is recognised when it is probable that future economic benefits will flow to the ASB and when the amount can be measured reliably.

Interest income

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

Provisions

Provisions are recognised when the ASB has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation. This occurs when a reliable estimate can be made of the obligation. All the provisions of the ASB are short-term in nature and the effect of discounting is immaterial. Provisions are made for the return of unutilised resources to the National Treasury (see the accounting policy for Revenue).

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable. Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery. The information is presented in accordance with Instruction Note 4 of 2022/2023.

Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore are provided in the notes. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable. The information is presented in accordance with Instruction Note 4 of 2022/2023.