



**Western Cape  
Government**

Provincial Treasury

Zaahir Hendricks

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Reference: T7/2/7

## **TREASURY CIRCULAR MUN 22 OF 2013**

THE MAYOR, CITY OF CAPE TOWN: MS P DE LILLE  
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS  
THE MAYOR, MATZIKAMA MUNICIPALITY: MS D GOEDEMAN  
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THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR FJ SCHIPPERS  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: MR N DE BRUYN  
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THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR BD KIVEDO  
THE MAYOR, LANGEBERG MUNICIPALITY: MS D GAGIANO  
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR L DE BRUYN  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR CB PUNT  
THE MAYOR, OVERSTRAND MUNICIPALITY: MS N BOTHA-GUTHRIE  
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR R MITCHELL  
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THE MAYOR, HESSEQUA MUNICIPALITY: MS E NEL  
THE MAYOR, MOSSEL BAY MUNICIPALITY: MS M FERREIRA  
THE MAYOR, GEORGE MUNICIPALITY: MR C STANDERS  
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR G APRIL  
THE MAYOR, BITOU MUNICIPALITY: MR M BOOYSEN  
THE MAYOR, KNYSNA MUNICIPALITY: MS G WOLMARANS  
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: MR E NJADU  
THE MAYOR, LAINGSBURG MUNICIPALITY: MR W THERON  
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MR G LOTTERING  
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR HD PRINCE

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THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR DG O'NEILL  
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR I KENNEDY  
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV H LINDE  
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR LA SCHEEPERS  
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ  
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THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON  
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: MR J METTLER  
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS C LIEBENBERG  
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR G MATTHYSE  
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR MP DU PLESSIS  
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HD WALLACE  
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR C GROENEWALD  
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THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR C AFRICA (Acting)  
THE MUNICIPAL MANAGER, EDEN DISTRICT MUNICIPALITY: MR GW LOUW  
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR M HOOGBAARD

THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS  
 THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: DR M GRATZ  
 THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA  
 THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR F HUMAN (Acting)  
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 THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MS L WARING  
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 THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR H METTLER  
 THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY  
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 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR E ALFRED  
 THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR JA VAN NIEKERK  
 THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER  
 THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR K COOPER  
 THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: Ms FA Du RAAN - GROENEWALD  
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 THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR J CARSTENS  
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 THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS  
 THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR CF HOFFMANN  
 THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR JJ BURGER (Acting)  
 THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW  
 THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MR H KLEINLOOG  
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 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN  
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR HF BOTHA  
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR K JORDAAN  
 THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR F HUMAN (Acting)  
 THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR F LÖTTER  
 THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR G EASTON  
 THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR N NORTJE (Acting)  
 THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD  
 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING  
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR A STRUMPHER (Acting)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR Z HOOSAIN)  
 THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
 THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)  
 THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)  
 THE HEAD: ASSET MANAGEMENT (MR IG SMITH)  
 THE HEAD: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
 THE CHIEF FINANCIAL OFFICER (MR A GILDENHUY)  
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS T EVANS)  
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 THE SENIOR MANAGER: FINANCIAL GOVERNANCE (MR B VINK)  
 THE SENIOR MANAGER: FISCAL POLICY (MS C HORTON)  
 THE SENIOR MANAGER: INFRASTRUCTURE (MR M WÜST) (ACTING)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING (MS N OLIPHANT)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR F SABBAT)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN) (ACTING)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)  
 THE SENIOR MANAGER: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)  
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)

THE PROVINCIAL AUDITOR  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT  
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)  
 THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

# **APPLICATION OF THE GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP) REPORTING FRAMEWORK**

## **1. Purpose**

To inform municipalities and municipal entities about the guidance issued by National Treasury on selected issues relating to the GRAP Reporting Framework for financial years ending 30 June 2013.

## **2. Background**

Section 122(3) of the MFMA requires that every municipality and every municipal entity must prepare both annual financial statements and consolidated annual financial statements in accordance with generally recognised accounting practice prescribed in terms of section 91(1) (b) of the Public Finance Management Act.

## **3. Request**

To apply where applicable the attached guide relating to the GRAP Reporting Framework – 30 June 2013.

  
**M S N OLIPHANT**

**DIRECTOR: LOCAL GOVERNMENT ACCOUNTING**

**Date:** 7 June 2013



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **APPLICATION OF THE GRAP REPORTING FRAMEWORK**

The purpose of this document is to outline and provide guidance on selected issues relating to the GRAP Reporting Framework for financial years ending 30 June 2013. The prescripts of this document apply to municipalities and municipal entities.

Directive 5 on *Determining the GRAP Reporting Framework* outlines the list of standards and other pronouncements that should be applied by entities in preparing their financial statements. The appendices to Directive 5 outline the specific Standards and pronouncements to be applied by entities for a particular reporting period.

In certain instances, entities are allowed to choose between the application of an IFRS, an IPSAS, or a Standard of GRAP which is not yet effective. This document guides entities in making such a decision in respect of the following:

- Employee benefits
- Transfers of functions
- Mergers
- Related Parties

### **Standards to apply or consider in formulating an appropriate accounting policy**

For **Employee Benefits** entities have a choice of the following:

- continue applying IAS 19 if the entity previously applied IAS 19 on *Employee Benefits*; or
- formulate an accounting policy based on GRAP 25 on *Employee Benefits*; or early adopt GRAP 25 on *Employee Benefits*.

For **Transfers of functions between entities not under common control** entities have a choice of the following:

- continue to apply IFRS 3, if the entity previously applied IFRS 3 on *Business combinations*, or
- formulate an accounting policy based on GRAP 106 on *Transfers of Functions Between Entities Not Under Common Control*

For **Transfers of functions between entities under common control** entities must use GRAP 105 on *Transfers of Functions Between Entities Under Common Control* in formulating an accounting policy.

For **Mergers** entities must use GRAP 107 on *Mergers* in formulating an accounting policy.

## **APPLICATION OF THE GRAP REPORTING FRAMEWORK**

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For **Related party transactions** entities have a choice of the following:

- continue to disclose related party information using IPSAS 20, if the entity previously applied IPSAS 20 on *Related Party Disclosures*; or
- formulate disclosures based on GRAP 20 on *Related Party Disclosures*.

The above is in line with paragraph A6 of Appendix G in Directive 5 on *Determining the GRAP Reporting Framework*, issued by the ASB.

### **Disclosures related to Standards of GRAP that have been issued but are not yet in effect**

To formulate an accounting policy means that entities determine the recognition, measurement and presentation of a transaction or event (accounting policies should describe, depending on the nature of the item, transaction or event, classification, recognition, initial and subsequent measurement and derecognition).

Where an entity formulates an accounting policy based on a standard or pronouncement not specifically listed in Directive 5 as being part of the GRAP reporting framework, it should comply with the following when preparing the disclosures for related parties (GRAP 20), employee benefits (GRAP 25), transfers of functions (GRAPs 105 & 106) and mergers (GRAP 107):

- where an entity uses an IFRS to formulate an accounting policy, it must make the disclosures in that IFRS or IPSAS in full.
- where an entity uses a Standard of GRAP that is not yet effective to formulate an accounting policy for the current financial year, but applied an IFRS in prior years, it:
  - must continue to make the disclosures in that IFRS to the extent that those disclosures are also required in the Standard of GRAP which has been used to formulate the accounting policy.
  - may decide not to make certain disclosures that were required in the IFRS if the disclosures are encouraged in the Standard of GRAP which has been used to formulate the accounting policy.

Where an entity early adopts a Standard of GRAP for which the Minister of Finance has determined an effective date the entity adopts the standard in full, including all the disclosures required in the Standard of GRAP which has been early adopted.

### **Disclosures relating to departures from the prescribed reporting framework**

Where an entity, with written permission from the National Treasury, departed from the prescribed reporting framework it must disclose the following in its accounting policies:

- the nature and the reason for the departure;
- the period of time granted for the departure (where applicable); and
- an indication of the items affected by the departure (where applicable).

This document derives its authority from the government notices prescribing the Standards of GRAP.

Issued by

The Office of the Accountant-General

Date: May 2013



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## APPLICATION OF THE GRAP REPORTING FRAMEWORK

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- Employee benefits
- Transfers of functions
- Mergers
- Related Parties

### Standards to apply or consider in formulating an appropriate accounting policy

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## APPLICATION OF THE GRAP REPORTING FRAMEWORK

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Where an entity formulates an accounting policy based on a standard or pronouncement not specifically listed in Directive 5 as being part of the GRAP reporting framework, it should comply with the following when preparing the disclosures for related parties (GRAP 20), employee benefits (GRAP 25), transfers of functions (GRAPs 105 & 106) and mergers (GRAP 107):

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- where an entity uses a Standard of GRAP that is not yet effective to formulate an accounting policy for the current financial year, but applied an IFRS in prior years, it:
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Where an entity, with written permission from the National Treasury, departed from the prescribed reporting framework it must disclose the following in its accounting policies:

- the nature and the reason for the departure;
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- an indication of the items affected by the departure (where applicable).

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Issued by

The Office of the Accountant-General

Date: May 2013