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 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR F LÖTTER  
 THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR JA VAN NIEKERK  
 THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR J Van COLLER (Acting)  
 THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR K COOPER  
 THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT: MR JG MARAIS  
 THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR R ESAU  
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 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J VAN DER WESTHUIZEN  
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR D LOUW

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 TC ARENDSE) (ACTING)  
 THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
 THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
 THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)  
 THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)  
 THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)  
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 THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR N VAN NIEKERK) (ACTING)  
 THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS N OLIPHANT)  
 THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)  
 THE SENIOR MANAGER: INTERNAL AUDIT: GOVERNANCE AND ADMINISTRATION CLUSTER (MS B CAIRNCROSS)  
 THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER (MR P SWARTBOOI) (ACTING)  
 THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)  
 THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)  
 THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR G PAULSE)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)  
 THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS A PICK) (PRO TEM)  
 THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)  
 THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)  
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
 THE HEAD: OFFICE OF THE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT AND HOUSING

## ACCOUNTING STANDARDS BOARD ISSUED: DIRECTIVE 5 - DETERMINING THE GRAP REPORTING FRAMEWORK & FREQUENTLY ASKED QUESTIONS ON INITIAL ADOPTION OF THE STANDARDS OF GRAP BY ENTITIES FOR 2009/10 REPORTING PERIOD.

### 1. Purpose

- 1.1 To inform Municipalities and Municipal entities that the Accounting Standards Board has issued **Directive 5** which has been amended as follows:

- Directive 7 on ***The Application of Deemed Cost on the Adoption of Standards of GRAP*** which was issued by the Board in December 2009 has been added to the Appendix outlining the GRAP Reporting Framework for periods commencing on or after 1 April 2009.
- An Appendix prescribing the ***GRAP Reporting Framework*** for financial periods commencing on or after 1 April 2010 has been added.

1.2 To inform Municipalities and Municipal entities that the Accounting Standards Board has also issued Frequently Asked Questions on the ***Initial adoption of the Standards of GRAP by entities for 2009/10 Reporting Period.***

1.3 These documents can be accessed via the following link <http://www.asb.co.za>

## **2. Background**

2.1 The Accounting Standards Board (ASB) is required, in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

2.2 Section 89(1) (b) of the PFMA, requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set out in paragraph 89(1) (a) of the PFMA.

2.3 The *Preface to the Standards of GRAP* determines that directives will be used to set transitional provisions and transitional arrangements for the entities required to comply with Standards of GRAP. Directives issued by the Board in terms of section (89) (1) (b) of the PFMA therefore have the same authority as the Standards of GRAP.

2.4 Directives should be read in conjunction with the relevant Standards of GRAP or Interpretations of Standards of GRAP, as well as the *Preface to the Directives*.

### **3. Objective**

- 3.1 The reporting framework comprises the Standards of GRAP, Interpretations of the Standards of GRAP, guidelines and directives issued by the Board and standards and pronouncements of other standard setters that should be applied when entities prepare and present their financial statements in accordance with Standards of GRAP, referred to as the GRAP Reporting Framework.
- 3.2 The objective of Directive 5 is to set out the principles in determining the GRAP Reporting Framework. The aim is to ensure consistent application of the GRAP Reporting Framework by entities that apply Standards of GRAP.
- 3.3 The objective of the Frequently Asked Questions on the initial adoption of the Standards of GRAP by entities for the 2009/10 reporting period is based on the queries commonly received by the Secretariat, the Auditor-General of South Africa and the Office of the Accountant-General and have been compiled to assist preparers of the financial statements.

### **4. Effective Date**

- 4.1 The Minister of Finance determines the effective dates for Standards of GRAP. Directive 5 shall be applied for financial periods commencing on or after 1 April 2008 taking into account the applicable effective dates of the standards.

### **5. GRAP Reporting Framework**

- 5.1 The appendix lists the standards and pronouncements that form the GRAP Reporting Framework. The appendix will be updated on an annual basis to recognise new Standards of GRAP that have become effective and standards and pronouncements issued by other standard setters.

### **6. Disclaimer**

- 6.1 The Frequently Asked Questions have been prepared by the Secretariat of the Accounting Standards Board in consultation with the technical division of the Auditor-General of South Africa (AGSA) and the Office of the Accountant-General at National Treasury (OAG). These frequently asked questions have not been approved by the Board. Consequently, they are not authoritative and do not form part of the Standards of GRAP.

- 6.2 Frequently Asked Questions provide a summarised analysis of topical issues (questions and responses) and are not comprehensive. Any examples provided are illustrative only, are not prescriptive, and should not be used by analogy to other circumstances. In all instances, readers are encouraged to refer to the relevant Standard of GRAP, Interpretation or Directive.

## 7. Enquiries

- 7.1 Enquiries with regard to this Circular may be forwarded to the following Provincial Treasury Officials:

**Ms Micheline Fortuin: [Mifortui@pgwc.gov.za](mailto:Mifortui@pgwc.gov.za) - West Coast, Overberg & Central Karoo Districts.**

**Mr Thobelani Madondile: [Tmadond@pgwc.gov.za](mailto:Tmadond@pgwc.gov.za) - Cape Winelands & Eden Districts and Metro.**



**N. OLIPHANT**

**SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING**

**DATE: 14 April 2010**