



Reference: T7/2/7

## **TREASURY CIRCULAR MUN NO 26/ 2014**

THE MAYOR, CITY OF CAPE TOWN: MS P DE LILLE  
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS  
THE MAYOR, MATZIKAMA MUNICIPALITY: MR J BOTHA  
THE MAYOR, CEDERBERG MUNICIPALITY: MS L SCHEEPERS  
THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR F SCHIPPERS  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: MR N DE BRUYN  
THE MAYOR, WITZENBERG MUNICIPALITY: MR J KLAZEN  
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS G VAN DEVENTER  
THE MAYOR, STELLENBOSCH MUNICIPALITY: MR CJ SIDEGO  
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR BD KIVEDO  
THE MAYOR, LANGE BERG 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  
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THE MAYOR, SWELLENDAM MUNICIPALITY: MR N MYBURGH  
THE MAYOR, EDEN DISTRICT MUNICIPALITY: MR V VAN DER WESTHUIZEN  
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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 J 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 HT PRINCE

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM  
THE MUNICIPAL MANAGER, WEST COAST DISTRICT MUNICIPALITY: MR H PRINS  
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR M BOLTON (ACTING)  
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR I KENNED  
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV H LINDE  
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR L 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 MATHYSE  
THE MUNICIPAL MANAGER, LANGE BERG MUNICIPALITY: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR D BERETTI (ACTING)  
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR S WALLACE  
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR C GROENEWALD  
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR D O'NEILL  
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR CM AFRICA  
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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 R LOTTERING (ACTING)  
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR A PAULSE  
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MS L WARING  
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THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS  
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  
THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: MR J KOEKEMOER  
THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR M BOLTON  
THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR E ALFRED  
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THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER  
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THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR CF HOFFMANN  
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR J TESSELAAR  
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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 RF BUTLER (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 M BOOYSEN (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 H MALILA) (PRO TEM)  
THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)  
THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
THE HEAD: ASSET MANAGEMENT (MR IG SMITH)  
THE HEAD: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)  
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS T EVANS)  
THE SENIOR MANAGER: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)  
THE SENIOR MANAGER: FINANCIAL GOVERNANCE (MR B VINK)  
THE SENIOR MANAGER: FISCAL POLICY (MR H MALILA) (PRO TEM)  
THE SENIOR MANAGER: INFRASTRUCTURE (MS JD GANTANA) (PRO TEM)  
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 T RADEBE)  
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)

## ACCOUNTING STANDARDS BOARD (ASB) - EXPOSURE DRAFT ON ACCOUNTING BY PRINCIPALS AND AGENTS (ED 122)

### 1. Purpose

- 1.1. The purpose of this circular is to request municipalities and municipal entities to submit comments on the proposed Standard of Generally Recognised Accounting Practice (GRAP) on **Accounting by Principals and Agents (ED 122)**.
- 1.2. This can be accessed via the following link <http://www.asb.co.za>

### 2. Background

- 2.1. According to the Accounting Standards Board, entities in the public sector work together to achieve common objectives, as a result they frequently provide services on behalf of, other entities in **principal-agent arrangements**;
- 2.2. As entities have common objectives it is often difficult when an entity carries out activities for another to assess whether it is carrying out its own activities or those of another entity. This raises questions particularly about which party should recognise the revenue and expenses resulting from those activities;
- 2.3. The current guidance in the Standards of GRAP on Revenue from Exchange Transactions (**GRAP 9**) and Revenue from Non-exchange Transactions (Taxes and Transfers) (**GRAP 23**) is limited on how to identify when an entity act as a principal or an agent in a context of the arrangements that exists in the South African public sector.
- 2.4. In the public sector entities work together to achieve common objectives and it may happen that both parties to the arrangement have significant risks and rewards in the same transaction or arrangement. The Board has proposed using an assessment of **“beneficial control”** over a specific activity to assess whether an entity acts as an agent or a principal in an arrangement.

### 3. Objective

- 3.1. The objective of this Standard is to outline **principle's** to be used by an entity to assess whether it acts as a principal or an agent in a principal-agent arrangement;

3.2. To provide guidance on whether **revenues, expenses, assets and /or liabilities** should be recognised by an agent or a principal, as well as to prescribe what information should be **disclosed** when an entity acts as principal or an agent.

#### **4. Request**

4.1. To submit comments on specific matters posed in **Annexure 1** attached;

4.2. In addition, under general matters for comment Provincial Treasury noted the following paragraphs that also need to be taken into consideration:

- Attention should also be drawn to paragraph **.07 to .08** respectively; in absence of an interaction with third parties.
- Consideration should be given to the term **beneficial control**, with particular reference to paragraphs **.17 - .34**, as this requires an entity to demonstrate three aspects over an activity. Implications of paragraph **.19** and whether scenarios reflected in paragraph **.22 and .24** exists within municipalities.
- Views should also be given to paragraph **.42-.45** which deals with recognising assets and liabilities as a principal or an agent.

4.3. Finally, municipalities should also state the overall opinion on whether this exposure draft (ED122) is supported and to supplement this opinion with the detailed comments and specifying paragraphs to which it relates, explaining the issue and suggesting alternative wording.

4.4. Comments are invited by the ASB until 1 September 2014; however it will be appreciated if comments can be submitted to Provincial Treasury by the **31<sup>st</sup> July 2014**. These comments will be consolidated for the Province and be further discussed in the next Municipal Accountants Forum (MAF) scheduled for the 8<sup>th</sup> August 2014 in order to get the position of the Province on Accounting by Principals and Agents.

4.5. All comments be submitted to the following officials:

Ms Ielhaam Toffey

Tel: (021) 483-6383

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Email: [Ielhaam.Toffey@westerncape.gov.za](mailto:Ielhaam.Toffey@westerncape.gov.za)

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5. Your co-operation is highly appreciated.



**MS N OLIPHANT**

**DIRECTOR: LOCAL GOVERNMENT ACCOUNTING**

**Date:** 30 May 2014