



Reference: RCS/C.5

TREASURY CIRCULAR MUN NO. 33/2016

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THE MAYOR, GEORGE MUNICIPALITY: MR MG NAIK
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR CF SYLVESTER
THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE
THE MAYOR, KNYSNA MUNICIPALITY: MS E BOUW-SPIES
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THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: MR H HILL (ACTING)

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THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR A PAULSE (ACTING)
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR M STRATU (ACTING)
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THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR L FOURIE (ACTING)
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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)

PUBLIC SECTOR ACCOUNTANTS FORUM – INTERIM ARRANGEMENTS TO ACCOUNT FOR LAND IN HOUSING ARRANGEMENTS

1. PURPOSE OF CIRCULAR

- 1.1 The purpose of this circular is to inform municipalities and municipal entities of the interim arrangements to account for land in housing arrangements as advised by the Public Sector Accounting Forum (PSAF).

2. BACKGROUND

- 2.1 At the PSAF meeting held in September 2016, forum members raised questions about how land should be accounted for by municipalities that is used in housing arrangements.

3. OBJECTIVE OF THE CIRCULAR

- 3.1 To provide municipalities with interim arrangements for the accounting for land in housing arrangements.

4. INTERIM ACCOUNTING ARRANGEMENTS

- 4.1 Following a discussion with Audit Research and Development unit of the Auditor General of South Africa and the Office of the Accountant General, it was agreed that the following principles should be applied in the absence of the final Guideline on Accounting for Arrangements Undertaken in Terms of the National Housing Programme being issued by the Accounting Standards Board (ASB):
 - 4.1.1 As draft guidance has been developed by the ASB, and it is expected that this will be finalised in the next few months, municipalities should retain their current accounting policies (assuming that these policies comply with the existing Standards of Generally Recognised Accounting Practice (GRAP)). Municipalities should avoid changing their current accounting policies at this stage (unless they are not in accordance with the Standards of GRAP), and should instead wait until the final Guideline is available.
- 4.2 As an interim arrangement, the following will be acceptable in relation to the recognition/derecognition of land:
 - 4.2.1 Municipalities should recognise or derecognise land based on the existence or loss of legal title (this has been the most predominant accounting policy applied by municipalities).

4.2.2 If a municipality can demonstrate that it has entered into a binding arrangement with the provincial department of human settlements, then municipalities could derecognise land based on the fact that control is lost once the binding arrangement is entered into. Note: this scenario applies to accredited/non-accredited housing programmes undertaken in terms of the national housing programme.

5. ENQUIRIES

Should you have any queries in this regard, please contact the following:

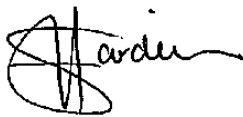
PT.helpme@westerncape.gov.za

Or

Jeanine Poggiolini of the ASB on:

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Email: jeaninep@asb.co.za



MR A HARDIEN
PROVINCIAL ACCOUNTANT-GENERAL

DATE: 14 October 2016