



PROVINCIAL TREASURY

Provincial Government of the Western Cape

LOCAL GOVERNMENT ACCOUNTING

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TREASURY CIRCULAR MUN 23 of 2011

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THE MAYOR, MATZIKAMA MUNICIPALITY: MS D GOEDEMAN
THE MAYOR, CEDERBERG MUNICIPALITY: MR B ZASS
THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL
THE MAYOR, SALDANHA BAY MUNICIPALITY: MS R JAGER
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
THE MAYOR, CAPE WINELANDS DISTRICT: MR N DE BRYN
THE MAYOR, WITZENBERG MUNICIPALITY: MR S LOUW
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS G VAN DEVENTER
THE MAYOR, STELLENBOSCH MUNICIPALITY: ALDERMAN CP JOOSTE
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR BD KIVEDO
THE MAYOR, LANGEBERG MUNICIPALITY: MS D GAGIANO
THE MAYOR, OVERBERG DISTRICT: 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
THE MAYOR, SWELLENDAM MUNICIPALITY: CLLR MYBURGH
THE MAYOR, EDEN DISTRICT: MR L DORLING
THE MAYOR, KANNALAND MUNICIPALITY: MR NI VALENTYN
THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE
THE MAYOR, MOSSEL BAY MUNICIPALITY: ALDERLADY M FERREIRA
THE MAYOR, GEORGE MUNICIPALITY: MR C STANDERS
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR G APRIL
THE MAYOR, BITOU MUNICIPALITY: MR M BOOYSENI
THE MAYOR, KNYSNA MUNICIPALITY: MS J WOLMARANS
THE MAYOR, CENTRAL KAROO DISTRICT: 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

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM
THE MUNICIPAL MANAGER, WEST COAST DISTRICT: MR H PRINS
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR DG O'NEILL
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATHYSE
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: MR EB MANUEL
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR J FORTUIN
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT: MR M MGAJO
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR S KABANYANE
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MR D DANIELS
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR A PAULSE
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR SA MOKWENI
THE MUNICIPAL MANAGER, OVERBERG DISTRICT: MR R BUTLER

THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HDD WALLACE
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: ADV W ZYBRANDS
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR R STEPHENS
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR M STEENKAMP (ACTING)
THE MUNICIPAL MANAGER, EDEN DISTRICT: MR M HOOGBAARD
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THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: DR M GRATZ
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR DG RAS (ACTING)
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR T BOTHA
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR L NGOQO
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR J DOUGLAS
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT: MR S JOOSTE
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR OLIPHANT (ACTING)
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR M RICHARDSON
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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
THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR CM PETERSEN
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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: MR J SNYMAN
THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR S JACOBS
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MR H KLEINLOOG
THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H SCHLEBUSCH
THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MR J KRAPOHL
THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT: MR NB DELO
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR NB DELO (ACTING)
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: DR C KAPP (ACTING)
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR NB DELO (ACTING)
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR D LOTT
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR G EASTON
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT: MR CJ KYMDELL
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 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)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)

THE HEAD: FINANCIAL GOVERNANCE (MR T ARENDSE) (PRO TEM)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR A REDDY)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT MS (L NGXONONO)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
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THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (F SABBAT)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)
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

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS - NATIONAL TREASURY (MR J HATTINGH)

ACCOUNTING STANDARDS BOARD (ASB): EXPOSURE DRAFT (ED) 85: TRANSITIONAL PROVISIONS FOR THE INITIAL ADOPTION OF THE STANDARDS OF GRAP ON SEGMENT REPORTING (GRAP 18), TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL (GRAP 105), TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL (GRAP 106), MERGERS (GRAP 107) AND THE STANDARD OF GRAP ON RELATED PARTY DISCLOSURES (GRAP 20)

1. Purpose

1.1 To inform Municipalities and Municipal entities that the Accounting Standards Board (ASB) has issued ED 85 (GRAP standards) for public comment:

- Proposed Transitional Provisions for the initial adoption of the standards of GRAP on:
 - Segment Reporting (GRAP 18)
 - Transfer of Functions between Entities under Common Control (GRAP 105)
 - Transfer of Functions between Entities not under Common Control (GRAP 106)
 - Mergers (GRAP 107)

1.2 To inform Municipalities and Municipal entities that the Accounting Standards Board (ASB) has issued the following Generally Recognised Accounting Practice Standard on:

- Related Party Disclosures (GRAP 20)

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, (PFMA), to determine Standards of Generally Recognised Accounting Practice (GRAP). In developing those standards, the Board frequently consults with users of those standards as to their appropriateness for transactions undertaken in the South African public sector.

3. Following is a brief outline of the ED 85 and the Standard on Generally Recognised Accounting Practice on Related Party Disclosures on (GRAP 20), as issued:

3.1 Exposure Draft 85

The Board approved the Standards of GRAP on Transfer of Functions Between Entities Under Common Control (GRAP 105), Transfer of Functions Between Entities Not Under Common Control (GRAP 106) and Mergers (GRAP 107) at its meeting held in November 2010, while the Standard of GRAP on Segment Reporting (GRAP 18), that replaced GRAP 18 issued in 2005, was approved by the Board at its February 2011 meeting.

The Board will, in terms of section 89(1)(c) of the PFMA, recommend an implementation date for GRAP 18, 105, 106 and 107 to the Minister of Finance. The proposed effective date for GRAP 18 will be 1 April 2013 for public entities, constitutional institutions, high capacity municipalities, Parliament and the provincial legislatures, while the proposed effective date for medium and low capacity municipalities will be on the 1 April 2014. An effective date of 1 April 2013 will be proposed for GRAP 105, 106 and 107 for all entities required to comply with the Standards of GRAP.

3.2 Developing transitional provisions for GRAP 18

The transitional provisions included in Directives 2 to 4 for GRAP 18 (2005) require the prospective application of the Standard from its effective date, except in relation

to items that have not been measured as a result of transitional provisions under another Standard of GRAP. As the Standard of GRAP on Segment Reporting deals with the presentation of information in the financial statements, the Board does not propose any changes to the existing transitional provisions as included in Directives 2 to 4.

3.3 Developing transitional provisions for GRAP 106

Prior to the adoption of the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106), entities may have applied IFRS 3 Business Combinations as part of the GRAP Reporting Framework in accounting for assets acquired and liabilities assumed in a transaction or event undertaken between entities not under common control. One of the differences between GRAP 106 and IFRS 3 is the recognition of the excess of the purchase consideration paid (if any) over the fair value of the assets acquired and liabilities assumed. GRAP 106 requires that such excess should be recognised in surplus and deficit, whereas IFRS 3 requires the recognition of goodwill.

3.4 Developing transitional provisions for GRAP 105 and 107

The Board proposes that the Standards be applied prospectively to a transfer of functions or a merger where the transfer date or merger date is on or after the initial adoption of the applicable Standard.

In developing interim transitional provisions for transfer of functions, guidance has been included in Directives 2 to 4 for assets and liabilities received in a transfer of functions. This guidance will be withdrawn once the revised transitional provisions for assets acquired and liabilities assumed in a transfer of functions are adopted on the initial adoption of GRAP 105 and 107.

3.5 Objective of related party disclosures: GRAP 20

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

3.6 Scope of related party disclosures: GRAP 20

An entity that prepares and presents financial statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

- 3.6.1 Identifying related party relationships and transactions;
- 3.6.2 Identifying outstanding balances, including commitments, between an entity and its related parties;
- 3.6.3 Identifying the circumstances in which disclosure of the items in (a) and (b) is required;
- 3.6.4 Determining the disclosures to be made about those items.

4. Request for comment

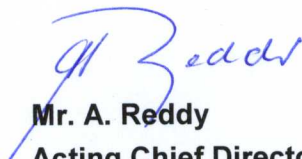
The Board requires that respondents express an overall opinion on the exposure drafts. Any correspondence on the exposure drafts must be supported and supplemented with detailed comment, whether supportive or critical, on the principles of the exposure draft.

The final date for the submission of comments to the Board (ASB) is set for the 15 September 2011, however it will be much appreciated if the municipalities and entities can submit their comments to Provincial Treasury for consolidation and submission to the ASB by 6 September 2011.

5. Enquiries

Any further enquiries in this regard may be directed to:

- Ms. Micheline Fortuin: Micheline.Fortuin@pgwc.gov.za - West Coast, Overberg & Central Karoo Districts.
- Mr. Thobelani Madondile: Thobelani.Madondile@pgwc.gov.za - Cape Winelands & Eden Districts and Metro.


Mr. A. Reddy
Acting Chief Director

Date: 22/07/2011