



Reference: T7/2/1

**TREASURY CIRCULAR.....24/2014**

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT  
THE MINISTER OF COMMUNITY SAFETY  
THE MINISTER OF CULTURAL AFFAIRS AND SPORT  
THE MINISTER OF EDUCATION  
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM  
THE MINISTER OF HEALTH  
THE MINISTER OF HUMAN SETTLEMENTS  
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING  
THE MINISTER OF SOCIAL DEVELOPMENT  
THE MINISTER OF TRANSPORT AND PUBLIC WORKS  
THE SPEAKER: PROVINCIAL PARLIAMENT  
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

} For information

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MR A JOEMAT)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)  
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)  
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)  
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)  
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)  
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)  
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THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)  
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)  
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

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THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE HERITAGE (MS A HALL)  
THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR S CONRADIE)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR BOARD (MR T GILIOME)

THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR A PRESTSON)  
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 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)  
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 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR Z HOOSAIN)  
 THE HEAD: PUBLIC POLICY SERVICES (VACANT)  
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 THE SENIOR MANAGER: FISCAL POLICY (MS C HORTON)  
 THE SENIOR MANAGER: INFRASTRUCTURE (MR M WUST)  
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 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS S NIEFTAGODIEN) (ACTING)  
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 THE PROVINCIAL AUDITOR  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

## **ACCOUNTING STANDARDS BOARD (ASB) – INVITATION TO COMMENT ON THE PROPOSED STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (ASB EXPOSURE DRAFT 122).**

### **Purpose**

- 1.1 To inform Chief Financial Officers (CFO) of the departments and Public and Trading entities of the exposure Draft on the new proposed Standard of GRAP on Accounting by Principals and Agents (ED 122) issued by the Accounting Standards Board and to seek comment thereon.

### **Background**

2. Public sector entities are frequently required to perform activities and or provide goods and services on behalf of others. In the public sector, the performance of these activities or provision of goods and services is most often governed by legislation or contracts concluded between the affected parties.
3. Despite this, there are a number of practical accounting issues that arise from these arrangements. The foremost question is which entity, or to what extent an entity should account for the revenues, expenses, assets and or liabilities arising from such arrangements.

3. Despite this, there are a number of practical accounting issues that arise from these arrangements. The foremost question is which entity, or to what extent an entity should account for the revenues, expenses, assets and or liabilities arising from such arrangements.
4. Thus the proposed Standard intends to outline the principles that should be used by an entity to assess whether it acts as a principal or an agent in an arrangement where it has activities undertaken by another entity on its behalf, or undertakes activities on behalf of another entity.
5. In setting Standards of GRAP, the Accounting Standards Board issues Exposure Drafts for public commentary on the proposed new accounting standard, before it issues a formal pronouncement to implement the new standards.
6. It is therefore very important for the Board to receive comment on the proposals set out in this ED based on the entity's experience in dealing with similar issues.

#### **Action required**

7. It is required of respondents to express an opinion on whether the ED, in general, is supported and supplements this opinion with detailed comments, whether supportive or critical on the principles in the ED's.
8. The Accounting Standards Board welcomes any comments from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting.
9. To comment on specific matters as set out in this Exposure Draft 122: Proposed standards on Accounting by Principals and Agents.

#### **Specific Matter for Comment 1-Definitions**

Do you agree with the following definitions included in paragraph 05 of the proposed Standard of GRAP?

- (a) Agent.
- (b) Principal-agent arrangement.
- (c) Principal.

If you do not agree, please indicate which aspects of the definitions you disagree with, along with supporting rationale and alternative proposals.

**Specific Matter for Comment 2- Description of a binding arrangement**

The Exposure Draft has been developed on the basis that a binding arrangement must exist in a principal-agent arrangement. Do you agree with the description of a binding arrangement included in paragraphs 13 to 16, and the related commentary? If you do not agree, please indicate which aspects of the description you disagree with, along with supporting rationale and alternative proposals.

**Specific Matter for Comment 3- Approach to identifying whether an entity acts as a principal or an agent**

Do you agree that, in determining whether it acts as a principal or an agent, an entity that is a party to a principal-agent arrangement should assess whether it has beneficial control over the activity specified in the binding arrangement (see paragraphs .17 to .27)? If you do not agree with the approach, please indicate which aspects you disagree with, along with supporting rationale and alternative proposals.

A flow chart has been developed outlining the key assessments an entity needs to make to determine if it acts as a principal or an agent in an arrangement, and is included as Annexure A to this ITC.

**Specific Matter for Comment 4- Recognition of receivables and payables by an agent**

The Board has developed indicators to identify when it may be appropriate for an agent to recognise a receivable and/or a payable in relation to a principal-agent arrangement. These are listed in paragraph 48.

Do you agree with the indicators? In particular:

(a) Do you have any arrangements where applying these indicators would not be helpful? If yes, how could they be improved?

(b) Is reliance on the principles in the other Standards of GRAP appropriate for the recognition and measurement of these receivables and payables, or is further guidance necessary in this Exposure Draft? Please specify whether any further guidance relates to the timing of recognition or to measurement.

**Specific Matter for Comment 5- Disclosures by an agent or a principal**

Do you agree with the disclosures proposed for a principal and an agent (see paragraphs .51 to .54)? If you do not agree with the disclosures, please indicate which disclosures you disagree with, along with supporting rationale and alternative disclosures.

10. The Accounting Standard Board (ASB) would welcome comments on all matters discussed in this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or groups of paragraphs to which they relate, contain a clear rationale and where applicable, provide a suggestion for alternative wording.
11. Entities and departments should forward their comments in writing using the **Annexure A** provided, **to Ms Boniswa.Lurwayi@westerncape.gov.za** by no later than **15 August 2014** in order to enable PG: Accounting and Compliance to consolidate and provide inputs to the Accounting Standards Board by **1 September 2014**.
12. Thank you for your co-operation.



**SENIOR MANAGER: PROVINCIAL GOVERNMENT ACCOUNTING AND COMPLIANCE**

**DATE:** 14/05/2014

**ANNEXURE A: Template to comment on this Exposure Draft**

<b>Exposure Draft 122: Proposed standards on Accounting by Principals and Agents.</b>		
Name of department or Entity:		
Respondent's name and surname:		
Designation:		
Contact no# and email address:		
<b>Specific matter for comment</b>	<b>Comments</b>	<b>Suggestion (where relevant)</b>
1		
2		
3		
4		
5		

**General comments:**

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**Signature of respondent:**

**Date:**