

## GRAP REPORTING FRAMEWORK FOR 2019/2020

The Accounting Standards Board (the Board), publishes the reporting framework for the new reporting period in September of each year. There have been a number of additions to the reporting framework for municipalities and municipal entities for financial years commencing on or after 1 July 2019. Most of the changes relate to Standards of GRAP which were made effective by the Minister of Finance. A number of other pronouncements also become effective during the year. A summary of the key changes and the potential implications that municipalities should be aware of, is outlined below:

Standard	Potential impact
GRAP 20 <i>Related Party Disclosures</i>	<p>As entities had a choice of using IPSAS 20 <i>Related Party Disclosures</i> or GRAP 20, the changes to the related party disclosures may be minimal.</p> <p>Differences between current disclosures and those required by GRAP 20 should be identified and processes put in place to gather the relevant information.</p>
GRAP 32 <i>Service Concession Arrangements: Grantor</i> [IGRAP 17 becomes effective on the same date as the Standard]	<p>The Guideline on <i>Accounting for PPP Arrangements</i> has been withdrawn. The principles in GRAP 32 are similar to the Guideline. GRAP 32 does not only apply to PPP arrangements undertaken in terms of legislation. It applies to arrangements that have the characteristics of service concession arrangements, i.e. an operator providing a mandated function related to a service concession asset on behalf of a grantor.</p> <p>Arrangements should therefore be assessed to determine if they are service concession arrangements.</p>
GRAP 108 <i>Statutory Receivables</i>	<p>Municipalities need to separately account for receivables arising from legislation, regulations or similar means. Examples include receivables related to property rates and fines. Statutory receivables are accounted for initially in accordance with GRAP 23 <i>Revenue from Non-exchange Transactions (Taxes and Transfers)</i> and subsequently at cost less impairment using GRAP 108. Separate disclosure is required for statutory and other receivables.</p> <p>Current accounting policies should be reviewed and revised based on the principles in GRAP 108.</p>
GRAP 109 <i>Accounting by Principals and Agents</i>	<p>Municipalities often undertake activities on behalf of other entities, e.g. housing activities on behalf of provincial government, and water services on behalf of district municipalities. Municipalities should assess whether these arrangements are principal-agent arrangements,</p>

	<p>and if they are the principal or the agent in the arrangement. Because agents act on behalf of other entities, they do not reflect the transactions for agency activities in their financial statements (other than any revenue they earn or costs they incur to provide the service).</p>
<p>IGRAP 18 <i>Recognition and Derecognition of Land</i></p>	<p>The Interpretation provides guidance on the recognition of land based on “control”. Control includes, but is not limited to, legal title to land. Other rights are also considered in assessing whether land is controlled.</p> <p>Municipalities will need to assess whether land should be recognised in, or derecognised from, the statement of financial position based on control. Practice to date may have been based solely on the existence of legal title.</p> <p>Potential implications include land used in housing arrangements undertaken in terms of the National Housing Programme, land used by a municipality which is owned by public works, as well as arrangements where the municipality is the owner of land but agreements have been concluded with other individuals or entities for the use of the land.</p>
<p>IGRAP 19 <i>Liabilities to Pay Levies</i></p>	<p>The Interpretation provides guidance on when to recognise liabilities to pay levies, i.e. when the activity that triggers the payment of a liability occurs. A levy is a non-exchange transaction that is imposed by government (local, provincial or national) on entities in accordance with legislation or similar means (with some exceptions).</p> <p>Municipalities need to review payments made to other levels of government to assess whether they are in the scope of IGRAP 19, and if they are recognised correctly in the financial statements.</p>
<p>Guideline <i>Accounting for Housing Arrangements Undertaken in terms of the National Housing Programme</i></p>	<p>The Guideline indicates how municipalities should account for the activities they undertake activities for the department of Human Settlements in terms of the National Housing Programme. Municipalities typically act as either the project manager and/or the contractor in an arrangement, with different accounting consequences.</p> <p>The terms and conditions of existing arrangements and accounting policies should be revisited and aligned with the principles in the Guideline.</p>

A comprehensive summary of all the changes can be accessed on the ASB's website by following [this](#) link:

<http://asb.co.za/webmoduledata/Documents/Directive%205%20CHANGES%20TO%20THE%20REPORTING%20F.pdf>

**Author: Jeanine Poggiolini, Technical Director at the ASB**

**2 November 2018**