

Municipal CFO Forum

4 May 2015




Accounting Standards Board





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.





Accounting update

- GRAP Reporting frameworks -
 - 2014/2015 and 2015/2016
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- Background to the development of a Guideline on Accounting for Housing Schemes





Reporting Framework



Snapshot - Reporting framework

	30 June 2015	30 June 2016
GRAP	<p>Report in terms of new Standards: GRAP 5 ,100</p>	<p>Report in terms of new Standards: GRAP 1, 2, 3, 10, 11, 13, 17, 19, 21, 23, 24, 25, 26, 31, 103,104, 105, 106, 107 Directive 11</p>
IFRS/IPSAS	No change	IFRIC 21
Not yet effective	<p>Accounting policy:</p> <ul style="list-style-type: none"> •GRAP 32, 105, 106, 107, 108 •IGRAP 17 <p>Disclosure:</p> <ul style="list-style-type: none"> •GRAP 20 or IPSAS 20 <p>Early adopt:</p> <ul style="list-style-type: none"> •GRAP 1, 2, 3, 10, 11, 13, 17, 19, 21, 23, 24, 25, 26, 31, 103,104 •Directive 11 	<p>Accounting policy:</p> <ul style="list-style-type: none"> •GRAP 32, 108 •IGRAP 17 <p>Disclosure:</p> <ul style="list-style-type: none"> •GRAP 20 or IPSAS 20
Not	GRAP 18	GRAP 18

Proposed Guideline on Accounting for Housing Schemes



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Background to project


- **Objective of Guideline**

- High-level guidance on types of housing arrangement transactions that public sector entities are currently involved in
- Discuss key features of various housing schemes based on the legislative requirements
- Provide guidance on accounting principles that should be considered to account for different arrangements





Background to project

- Housing Code establishes accreditation framework of municipalities to administer national housing programme
 - Accreditation involves delegation and assignment of certain functions
 - 3 levels of accreditation (based on capacity)
 - Unaccredited housing arrangements
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Funding of housing projects

- Housing development grant - HSDG
 - allocation through DORA via provincial departments except for level 3
- Urban settlement development grant - USDG (only 8 metros)
 - To build sustainable human settlements (park/school/clinic/infrastructure)
 - Acquisition of land if not owned by province or municipality






Legislative requirements

- Housing Act
 - Sets out functions of provinces and municipalities (high level)
 - Requires that accredited municipality may not act as developer unless prior approval by provincial Board
 - Municipality to maintain separate accounts
 - Account information must be reflected in records of provincial housing fund
 - Housing funds currently dormant
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Legislative requirements

- MFMA Budget Circular no 72
 - Level 1 → municipality considered to be “agency function”, revenue accrues to province and WIP accounted for by province
 - Level 2 → municipality to recognise grant and account for RDP houses as inventory after completion before transfer
 - Level 3 → municipality is “principal” and must account for revenue, expenses and assets
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Legislative requirements

- Departmental Guide issued by OAG
 - Accounting by provincial department
 - Decision tree
 - Municipality can be agent or principal





Considerations

- Responsibility to approve beneficiaries
- Responsibility in case of defects or complaints from beneficiaries
- Who should account for the houses under construction?





Considerations

- Accounting of land acquired with USD Grant and when to derecognise land
- Memorandum of Understanding
 - Standardised agreements
 - Between province and contractor or municipality and contractor?

