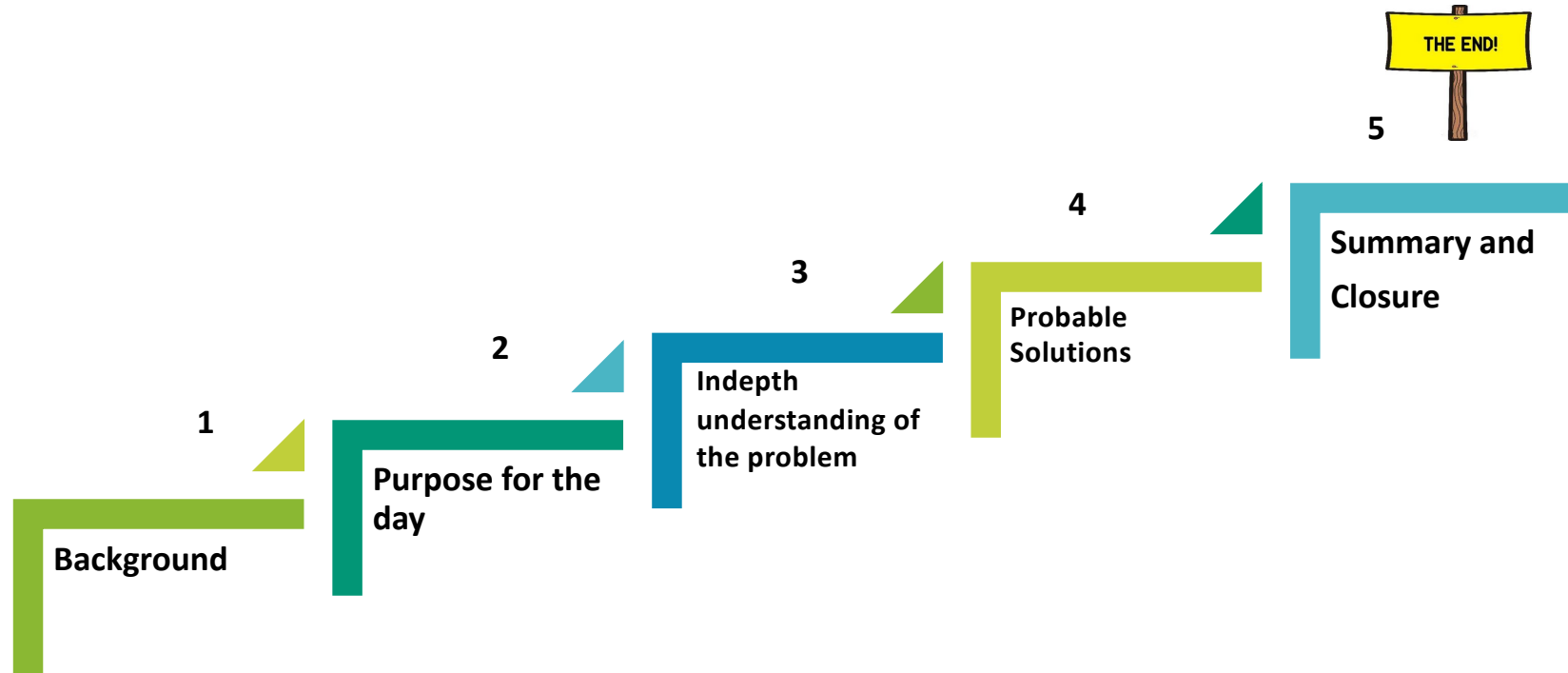




CCG SYSTEMS : GRAP UPDATE 2019

PRESENTED BY : ZEUS MABOHO PROFESSIONAL ACCOUNTANT (SA)

Overview





Who We Are..?

sage Evolution



Super Platinum
Business Partner
Sage Evolution

WHO WE ARE



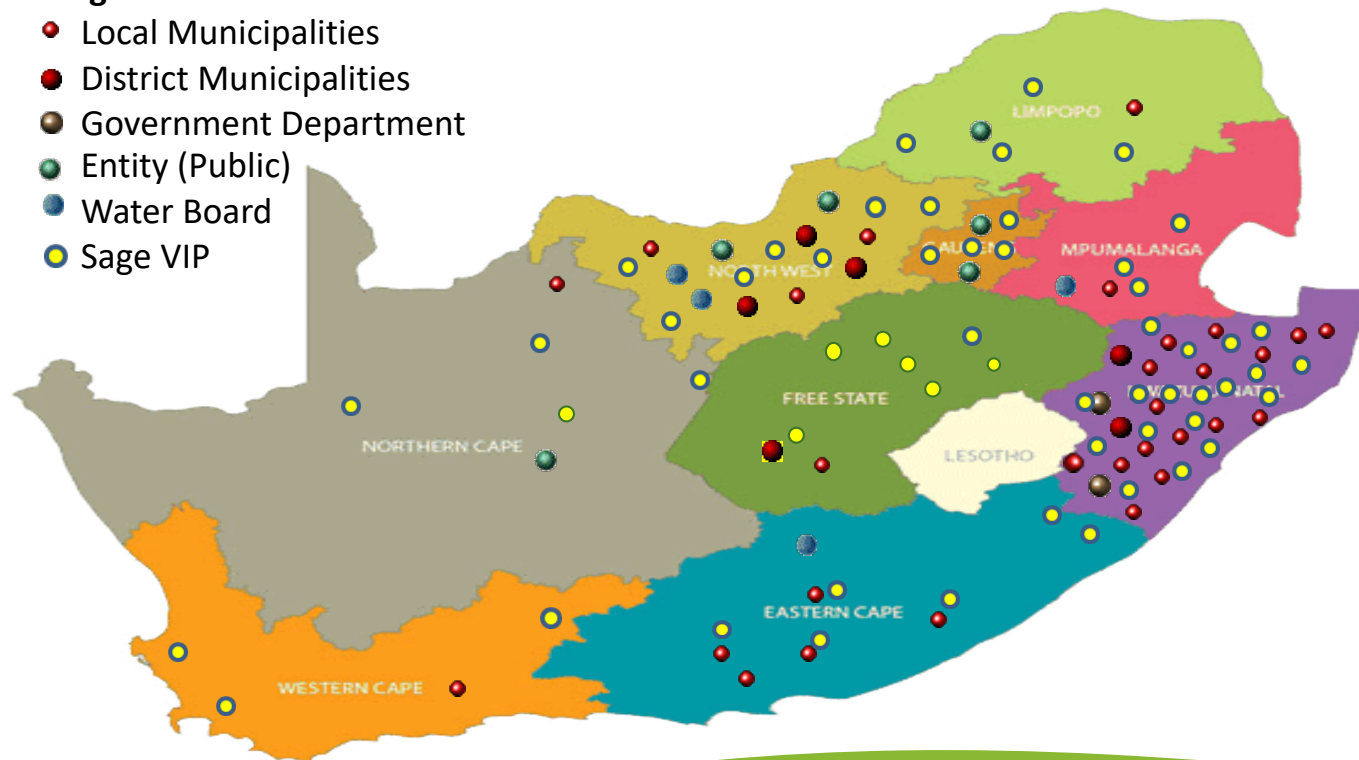
- Established in the early 2000 : **CCG Systems** formerly known as **Camelsa Consulting Group**.
- Established by former CFOs, Directors, CA(SA), Auditors, SCM Managers. Identifying the prospect of Technology in Finance & Accounting, Business Management and the urgent prospect of **The Fourth Industrial Revolution**.
- **Key Business** : Financial Accounting Auditing, Risk Management, Supply Chain and Contract Management and ERP System Implementation.
- Leading implementers of National Treasury **Standardized Chart of Accounts**, Budgeting and Reporting for Local Government

"Digitization and Systems Development to Achieve Procurement Excellence"

WHERE ARE WE?

Legend

- Local Municipalities
- District Municipalities
- Government Department
- Entity (Public)
- Water Board
- Sage VIP



Sage Evolution
ERP

by Sage Pastel

SOME OF OUR LIVE SITES

42 in Total



" The City of Heritage "



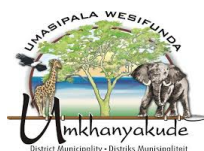
• OUR KINGDOM IS YOUR STAGE •

BOJANALA PLATINUM DISTRICT MUNICIPALITY

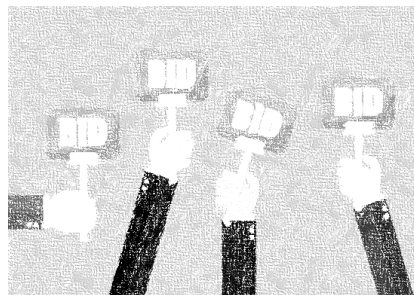


cogta

Department:
Cooperative Governance and Traditional Affairs
PROVINCE OF KWAZULU-NATAL







GRAP UPDATE

BACKGROUND

Background

A Notice was published in the Government Gazette (No. 207 of 2018) indicating the effective dates of Standards of GRAP for public and trading entities, constitutional institutions, municipalities and municipal entities.

PURPOSE

1. To inform Accounting Authorities (AA), Chief Executive Officers (CEO) and Chief Financial Officers (CFO) of entities of the New Standards of GRAP on or after 1 April 2019.
2. To ensure that Public and Trading Entities develop Generally Recognised Accounting Practices (GRAP) Implementation Plans to ensure that annual financial statements for 2019/20, comply with the new Standards of GRAP.

IMPLEMENTATION OF STANDARDS OF GENERALLY RECOGNISED ACCOUNTING PRACTICES EFFECTIVE FROM OR AFTER 1 APRIL 2019

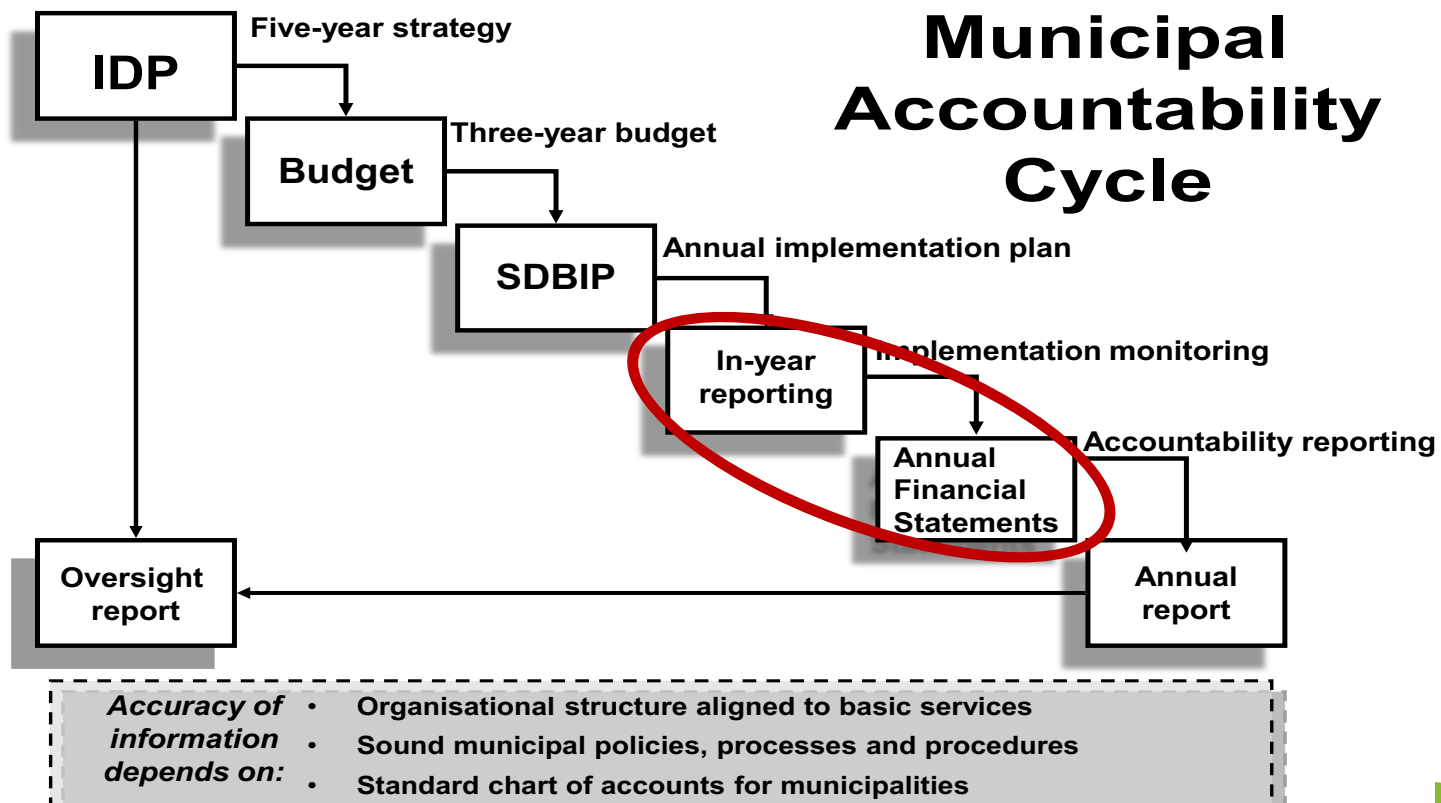
Standard	Topic	Application
GRAP 18	Segment Reporting	Also applies to Trading Entities on or after 1 April 2019. (Public Entities already complied).
GRAP 20	Related Parties	Applies to Public Entities on or after 1 April 2019.
GRAP 32	Service Concession Arrangements: Grantor	Applies to Public Entities on or after 1 April 2019.
GRAP 105	Transfers of Functions Between Entities Under Common Control	Also applies to Trading Entities on or after 1 April 2019. (Public Entities already complied).
GRAP 106	Transfers of Functions Between Entities Not Under Common Control	Also applies to Trading Entities on or after 1 April 2019. (Public Entities already complied).
GRAP 107	Mergers	Also applies to Trading Entities on or after 1 April 2019. (Public Entities already complied).
GRAP 108	Statutory Receivables	Applies to Public Entities on or after 1 April 2019.
GRAP 109	Accounting by Principals and Agents	Applies to Public Entities on or after 1 April 2019.
GRAP 110	Living and Non-Living Resources	Applies to Public Entities on or after 1 April 2020.

GRAP FOCUS FOR THE DAY

Newly effective Standards of GRAP:

Standard	Effective date	Objective
GRAP 18 <i>Segment Reporting</i>	1 April 2020	Principles for reporting financial information by segments
GRAP 20 <i>Related Party Disclosures</i>	1 April 2019	Defines; & sets disclosure requirements
GRAP 32 <i>Service Concession Arrangements</i>	1 April 2019	Accounting by grantor & operator
GRAP 108 <i>Statutory Receivables</i>	1 April 2019	Defines; & sets principles for subsequent measurement
GRAP 109 <i>Accounting by Principals & Agents</i>	1 April 2019	Defines; & outlines what to recognise
GRAP 110 <i>Living and Non- living Resources</i>	1 April 2020	<ul style="list-style-type: none"> • Requirements to recognise & measure living resources • Disclose information on living & non-living resources

HOW DOES APPLICATION OF mSCOA enhance GRAP Compliance



GRAP 18 - SEGMENT REPORTING



Objective:

to establish principles for reporting financial information by segments. The disclosure of this information will:

- (a) enable users of the financial statements to **better understand the entity's past performance**,
- (b) identify **the resources allocated** to support the major activities
- (c) enhance the **transparency**



Improvement:

When to recognise and derecognise land based on **control of land**

– Two criteria:

- a) legal title and/or
- b) right to direct and restrict/deny access of others

GRAP 20 - RELATED PARTY DISCLOSURES



Objective

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.



Improvement:

Accounting for Adjustments to Revenue

- adjustments to revenue recognised in legislation or similar means following completion of an internal review process or outcome of external appeal or objection
- principles may be applied, by analogy adjustments to exchange or non-exchange revenue arising from contractual arrangements with similar fact patterns

GRAP 32 - Service Concession Arrangements: Grantor



Objective

to prescribe the accounting for **service concession arrangements by the grantor**, a public sector entity.

Improvement:

Grantor

– Accounting of service concession asset and liability → financial liability model or grant of a right to the operator model



The grantor shall recognise an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:

- (a) the grantor **controls or regulates** what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- (b) the grantor **controls – through ownership, beneficial entitlement or otherwise** – any significant residual interest in the asset at the end of the term of the arrangement.

GRAP 108 - STATUTORY RECEIVABLES



Objective

to prescribe accounting requirements for the **recognition, measurement, presentation and disclosure of statutory receivables.**



Improvement:

- Accounting for receivables arising **from legislation, supporting regulations or similar means** and requires settlement in cash or another financial asset
- Recognition and measurement
(Take note of interest principle)

GRAP 109 - Accounting by Principals and Agents



Objective

to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and **whether it is a principal or an agent in undertaking transactions** in terms of such an arrangement.

e.g. **Library function** (Core or non-core)



Improvement:

Outlines principles to assess whether

- (a) entity is a party to a principal-agent arrangement
- (b) entity is the principal or agent in arrangement
- (c) revenue, expenses, assets or liabilities should be recognised → no new recognition or measurement principle

ACCOUNTING FOR LANDFILL SITES

ACCOUNTING FOR LANDFILL SITES – GRAP 17 & 18

Recognition:

GRAP 17 - land accounted for separately from buildings & other structures

- **thus** account for land and landfill site asset separately
- Land is recognised when entity meets: – definition of asset and
- recognition criteria
- Apply **GRAP 18** to assess control of land
- legal ownership and/or
- right to direct access to land and restrict/deny access

Classification:

Land in landfill meets definition of property, plant and equipment (GRAP 17)

- Land already owned by entity
- Already recognised as asset in its f/s
- Reclassify to PPE using existing GRAPs when decision taken by management
- Acquisition of new land
- Classified as PPE on acquisition

MEASUREMENT & IMPAIRMENT

Measurement:

On initial recognition

- Existing land → reclassify to PPE
- Newly acquired → cost or fair value (non-exchange)

After initial recognition

- Cost model or revaluation model
- Depreciation
 - land has unlimited useful life and therefore NOT depreciated
 - Land will always exist and will be available for use

Impairment:

- Indicator of impairment → significant long-term change that will have **an adverse effect** in extent to which, or manner in which asset is used or expected to be used

Decision to use land for landfilling – impairment indication

Apply judgement to assess at what point this decision will result in reduction in land value (impairment)

Apply GRAP 21 to designate land as cash-generating or non-cash generating

Apply GRAP 21 or GRAP 26 at each reporting date

MEASUREMENT & IMPAIRMENT

- **Elements of cost: GRAP 17**

- a) Purchase price
- b) Costs directly attributable
- c) Initial estimate costs to dismantle & restore

- Assess for impairment during development
- Cease capitalisation of costs when in location & condition necessary to operate in manner intended by management

DERECOGNITION LANDFILL SITE ASSET

Landfill site asset

- Derecognise when no FEB/SP expected
 - Apply judgement
 - Parts may generate FEB/SP while in operation or for a shorter period **and** during period that site stores waste
- Fully derecognised when site by end of post- closure monitoring and inspection period

THANK YOU.
QUESTIONS & DISCUSSION ??



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