



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**TO : ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS
: ACCOUNTING AUTHORITIES OF ALL PUBLIC ENTITIES
: ALL PROVINCIAL ACCOUNTANTS-GENERAL**

NATIONAL TREASURY PRACTICE NOTE NO. 2 OF 2010/2011

GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP) FOR PUBLIC ENTITIES AND CONSTITUTIONAL INSTITUTIONS

1. PURPOSE

- 1.1 The purpose of this practice note is to clarify the implications of the GRAP Reporting Framework Directives issued by the Accounting Standards Board (ASB) on the basis for preparation used by public entities and constitutional institutions for financial reporting purposes.
- 1.2 In addition, this practice note replaces the guidance on the application of the hierarchy in GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors* contained in Practice Note 5 of 2005/06.

2. BASIS OF PREPARATION

- 2.1 As from 1 April 2009 all public entities and constitutional institutions required to apply the standards of GRAP had to make use of the guidance and the standards listed in the GRAP Reporting Framework Directive issued by the ASB.
- 2.2 In addition, these entities are required to adhere to the transitional provisions directives also issued by the ASB (refer to www.asb.co.za).
- 2.3 The basis for preparation paragraph to be included in the notes to the annual financial statements is provided in the annexure hereto.

3. APPLICABILITY

- 3.1 This practice note applies to all constitutional institutions and national and provincial public entities required to apply the Standards of GRAP in terms of section 55 of the PFMA and the Preface to the Standards of Generally Recognised Accounting Practice.

4. EFFECTIVE DATE

- 4.1 This practice note takes effect from 1 April 2010 and must be adhered to by all accounting officers and accounting authorities.

5. DISTRIBUTION OF THIS PRACTICE NOTE

- 5.1 Accounting officers of parent departments are requested to please distribute copies of this practice note to all relevant public entities reporting to their respective executive authorities.

6. WITHDRAWAL OF EXISTING PRACTICE NOTE

- 6.1 Practice Note 5 of 2005/06, *GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP) FOR PUBLIC ENTITIES* is hereby withdrawn.

7. AUTHORITY FOR THIS PRACTICE NOTE

- 7.1 This practice note is issued in terms of sections 76(1) to 76(4) of the PFMA which empowers the National Treasury to issue instructions applicable to all institutions to which this Act applies concerning any matter that may be prescribed for all institutions in terms of this Act.

**FREEMAN NOMVALO
ACCOUNTANT-GENERAL
DATE: 20 May 2010**

ANNEXURE A: BASIS FOR PREPARATION PARAGRAPH

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.