



Specimen Annual Financial Statements

Municipalities are advised that the draft specimen financial statements have been temporarily removed from the National Treasury website. The reasons are twofold, namely:

1. The specimen was issued as a consultative document during the MFMA workshops held during May/June this year for discussions and comment and;
2. the specimen was drafted while some of the standards of GRAP and GAMAP were still **exposure drafts** and not yet issued by the Accounting Standards Board (ASB).

The National Treasury, the Office of the Auditor-General, the Secretariat of the ASB and other role-players are in the process of refining the specimen financial statements and the preparation guide in light of inputs and comments received during the consultation process.

Once finalised and approved, these documents will again be placed on the National Treasury's website for use by municipalities and municipal entities.

Municipalities are referred to Government Gazette notices 26510, dated 25 June 2004 and 26511, dated 1 July 2004, that deal with the delays in implementation of some provisions of the MFMA. Of importance to note is section 122(3) that deals with the production of the annual financial statements and consolidated annual financial statements in compliance with standards of GRAP. This section has been phased in according to municipal capacity levels as follows:

High capacity municipalities	financial statements for year ended 30 June 2006
Medium capacity municipalities	financial statements for year ended 30 June 2007
Low capacity municipalities	financial statements for year ended 30 June 2008

The above implies that municipalities and municipal entities must comply with the standards of GRAP issued by the ASB and regulated by the Minister of Finance as at the end of that financial year applicable to them, i.e. whether high, medium or low capacity.

Where a municipality / municipal entity cannot comply with the relevant standards, or part thereof, a written application for exemption, as stipulated in section 177(1)(b) of the MFMA, may be made to the National Treasury. Such an application must be fully motivated, providing, amongst others, the reasons for non-compliance and advising timeframes and milestones towards achieving full compliance. The written application must be signed by both the municipal manager and the Mayor. In the case of a municipal entity, the accounting officer of the entity must also sign the application. Applications should be sent to The National Treasury, Chief Director: Local Government, Private Bag X115, Pretoria, 0001.

Municipalities are advised to start as soon as possible to make the appropriate preparations to report in the required formats and contents before this provision of the Act becomes effective. National Treasury and other key stakeholders has been, and will continue to put in place the required support and capacity building mechanisms to assist municipalities in this regard.

Current Situation

In the interim only and in the absence of the GRAP-format annual financial statements, municipalities are advised to prepare and submit their annual financial statements for auditing in compliance with the format of the Published Annual Financial Statements for Local Authorities, Second Edition, (January 1996), as published by the Institute of Municipal Finance Officers (IMFO). These are the formats acceptable to the Office of the Auditor-General

Pilot Municipalities

As agreed with the Office of the Auditor-General in the past two years, pilot municipalities are allowed to use **old GAMAP** in producing and submitting their annual financial statements in the absence of the new formats.

Finally, please note that the Office of the Auditor-General requires that five copies of the financial statements should be submitted to that Office, two of which must be signed by the Accounting Officer/ Municipal Manager/ Chief Executive Officer.

Copies of these documents must also be sent to the National Treasury, Chief Director: Local Government: Private Bag X115, PRETORIA, 0001, to monitor progress in complying with the new standards.

Contact

Requests for further information on the format of Annual Financial Statements or any related matters are to be directed to the dedicated MFMA email address or facsimile listed below.



National Treasury

Private Bag X115, Pretoria 0001

Phone **012 315 5850**

Facsimile: **012 315 5230**

Email [**mfma@treasury.gov.za**](mailto:mfma@treasury.gov.za)

Website [**www.treasury.gov.za/mfma**](http://www.treasury.gov.za/mfma)

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2 September 2004