



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS
HEAD OFFICIALS OF PROVINCIAL TREASURIES
PROVINCIAL ACCOUNTANTS-GENERAL**

NATIONAL TREASURY INSTRUCTION NO. 6 OF 2014/2015

DEPARTMENTAL FINANCIAL REPORTING FRAMEWORK

1. PURPOSE

- 1.1 The purpose of this *Treasury Instruction* is to prescribe the Financial Reporting Framework applicable to departments and any other entity that is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.

2. BACKGROUND

- 2.1 Section 40(1) (b) of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), requires the accounting officer of a department to "*prepare financial statements for each financial year in accordance with generally recognised accounting practice*"¹.
- 2.2 Considering that the Standards of Generally Recognised Accounting Practice (GRAP) are not yet applicable to departments, the National Treasury prescribed the financial reporting framework in paragraph 18.2 of the Treasury Regulations, which constitutes GRAP for departments.
- 2.3 Paragraph 18.2 of the Treasury Regulations requires departments to prepare their financial statements on a modified cash basis in accordance with formats prescribed by the National Treasury.

3. FINANCIAL REPORTING FRAMEWORK

- 3.1 When developing the financial reporting framework referred to in paragraph 2.2 above, the National Treasury considered the pronouncements issued by:
- (a) the Accounting Standards Board (ASB);
 - (b) other standard setters; and
 - (c) other organisations that develop financial accounting, reporting and auditing requirements for the public sector.
- 3.2 The National Treasury also considered the following principles and disclosures when developing the financial reporting requirements:

¹ "Generally Recognised Accounting Practice" means an accounting practice complying in material respects with the standards issued by the Accounting Standards Board (ASB).

- (a) local and international best practices;
- (b) the capacity of departments to comply with the reporting requirements; and
- (c) the systems used by departments in preparing and collating the information required to comply with the reporting requirements.

4. MODIFIED CASH STANDARD

- 4.1 The efforts referred to in paragraph 3 culminated in the development of the Modified Cash Standard (MCS) which sets out the principles for the recognition, recording, measurement, presentation and disclosure of information required for preparing the annual financial statements. This MCS is the financial reporting framework for all departments and any other entity that is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.
- 4.2 Departments and any other entity that is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting must fully adhere with the requirements contained in the MCS in order to achieve fair presentation and compliance with the PFMA.
- 4.3 This MCS is available under 'Publications' on the website of the National Treasury's Office of the Accountant-General.

5. APPLICABILITY

This *Treasury Instruction* applies to all departments and any other entity that is required by the National Treasury or by law to comply with the MCS.

6. EFFECTIVE DATE

This *Treasury Instruction* takes effect from 1 April 2014 for the preparation of the 2014/2015 annual financial statements and for the preparation of annual financial statements for all subsequent financial years.

7. NOTIFICATION TO THE AUDITOR-GENERAL

The Auditor-General will be notified of the contents of this *Treasury Instruction*.

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 8.1 Head officials of provincial treasuries are requested to bring the contents of this *Treasury Instruction* to the attention of all accounting officers of departments in their respective provinces.
- 8.2 Accounting officers of national and provincial departments must bring the contents of this *Treasury Instruction* to the attention of:
 - (a) chief financial officers in their respective departments; and
 - (b) if applicable, to the head of any other entity reporting to the executive authority of the department, if that entity is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.

9. AUTHORITY FOR THIS INSTRUCTION

This *Treasury Instruction* is issued in terms of section 76(4)(g) of the PFMA, read in conjunction with section 40(1) (b) of the PFMA.

10. CONTACT INFORMATION

Enquiries related to this *Treasury Instruction* may be directed to:

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ACCOUNTANT-GENERAL

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