



# PROVINCIAL TREASURY

Provincial Government of the Western Cape

## PROVINCIAL GOVERNMENT ACCOUNTING SERVICES

hjdutoit@pgwc.gov.za  
tel: +27 21 483 3023 fax: +27 21 483 6430  
4 Dorp Street, Cape Town, 8001  
www.capegateway.gov.za

**REFERENCE:** T 7/2/1

**ENQUIRIES:** Henri du Toit

### TREASURY CIRCULAR NO 50 of 2011

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT  
THE MINISTER OF COMMUNITY SAFETY  
THE MINISTER OF CULTURAL AFFAIRS AND SPORT  
THE MINISTER OF EDUCATION  
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM  
THE MINISTER OF HEALTH  
THE MINISTER OF HOUSING  
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING  
THE MINISTER OF SOCIAL DEVELOPMENT  
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT  
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA)  
THE ACCOUNTING OFFICER: VOTE 8: HOUSING (MR M TSHANGANA)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS) (ACTING)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR J FOURIE)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)  
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR DG BASSON)  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)  
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)  
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)  
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)  
THE CHIEF FINANCIAL OFFICER: VOTE 8: HOUSING (MR F DE WET)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)  
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)  
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)  
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)  
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MR F DE WET)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE)  
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)  
THE HEAD: ASSET MANAGEMENT (MR TC ARENDSE) (PRO TEM)  
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR A REDDY)  
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS L NGXONONO)  
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)  
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)  
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)  
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)  
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)  
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)  
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)  
THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

} For information

# **2011/12 FINANCIAL YEAR INTERIM ARRANGEMENT: GUIDANCE ON THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF DAILY TARIFF EXPENDITURE RELATING TO PERMANENTLY ALLOCATED GOVERNMENT GARAGE VEHICLES**

## **PURPOSE**

1. To inform accounting officers and chief financial officers of Departments and the Provincial Parliament of the following:
  - 1.1 The requirement to disclose the expenditure on daily tariffs for permanently allocated GG vehicles incurred in the 2011/12 financial year;
  - 1.2 The requirement to disclose operational lease commitments for permanently allocated GG vehicles in the 2011/12 AFS.
  - 1.3 The requirement to disclose the related party relationship between the department and GMT in terms of the Departmental Financial Reporting Framework Guide.
  - 1.4 The requirement to maintain a schedule of GG Vehicles permanently allocated to your department, including the daily tariff per vehicle.

## **BACKGROUND**

2. PT Circular 30 of 2011 dated 29 June 2011 was issued, providing departments and the Provincial Parliament with guidance on the disclosure requirements for the permanently allocated GG vehicles in the 2010/11 AFS.
3. A permanently allocated vehicle is defined as follows: It is a vehicle that only the user department can use as allocated. No other department is allowed to use permanent allocated vehicles which have been allocated to a specific department.
4. A pool vehicle is defined as being a vehicle that is not permanently allocated to a user department. These vehicles are rented out to departments for a short period of time and are explicitly identified in the arrangement between GMT and the user department.
5. The daily tariff is charged by GMT over the life cycle of the vehicles which is based on the replacement cost of the vehicle. User departments pay a kilometer tariff based on the class of vehicle involved that covers the maintenance and running costs of the fleet.



## BASIS OF ACCOUNTING AND DISCLOSURE PRINCIPLES

6. In the 2010/11 AFS, it was agreed with the AGSA that the daily tariff expenditure related to permanently allocated GG vehicles of departments and the Provincial Parliament would be classified as operating lease expenditure and the related operating lease commitments disclosed as such. To maintain consistency, with the previous financial year, the daily tariff expenditure of permanently allocated GG vehicles of departments and the Provincial Parliament must be classified as operating leases in the 2011/12 financial year.
7. Daily tariff expenditure for permanent allocated vehicles must be allocated to the SCOA item: operating lease expenditure for 2011/12. GMT has been requested to provide detailed reports of permanently allocated vehicles which will be forwarded to departments. Any discrepancies must be taken up with GMT and addressed.
8. The related party transaction between the department and GMT must also be disclosed as a related party transaction in terms of the guidance provided in the Departmental Financial Reporting Framework Guide, Chapter 8, paragraph 37, where it is stated that "where a department transacts with another party other than those under (a) above and these transactions were not at arm's length then the relationship and the transaction must be disclosed. (e.g. if the National Treasury occupied a building owned by DPW without paying for this service then the relationship and the fact that a building is provided free of charge would have to be disclosed in the notes to the National Treasury's AFS".
9. In terms of the guidance provided in the 2011/12 Departmental Financial Reporting Framework Guide, Chapter 8, paragraph 33, an operating lease register must be maintained (See Annexure A). Information relating to the permanently allocated vehicles must be maintained in the operating lease register.

## REQUIRED ACTIONS

### Expenditure

10. GG Vehicle expenditure must be disclosed and allocated in terms of SCOA as follows:

Item Description	Item Segment	Assets Segment	Project Segment
Permanent Allocated vehicles: Daily Tariff	Operating lease expenditure	**Leased Assets: GG Vehicles-daily tariffs	No Project Stand Alone Current
Permanent Allocated vehicles: Km Tariff	T&S Dom without operator GG vehicle	Non Assets Related	No Project Stand Alone Current

\*\*Assets Segment break down allowed - see below:

1	2	3	4	5	CHARACTER COUNT	SEGMENT DETAIL NO	P/NP LEVEL	LEVEL
<b>LEASED ASSETS</b>					<b>13</b>	<b>502</b>	<b>N</b>	<b>1</b>
<b>TRANSPORT EQUIPMENT</b>					<b>19</b>	<b>507</b>	<b>N</b>	<b>2</b>
<b>MOTOR VEHICLES</b>					<b>14</b>		<b>N</b>	<b>3</b>
<b>GG VEHICLES-DAILY TARIFFS</b>					<b>25</b>		<b>Y</b>	<b>4</b>

11. Departments and the Provincial Parliament must determine the expenditure incurred and account for it as follows:

Effect a journal entry on BAS to re-classify the expenditure incurred:

Dr – Operating lease expenditure R

Cr – T&S Dom without operator GG vehicle R

### Operating lease commitments

12. Operating lease commitments must be disclosed in note 33.1 of the AFS/IFS of 2011/12 under the 'other machinery and equipment' based on information extracted from the operating lease register.

### Related Party transactions

13. The department's related party transaction with GMT must be disclosed under note 37 of the AFS/IFS. The following is an example of such disclosure that should reflect the total expenditure incurred on GG Vehicles as at the reporting date:

<b>Payments made</b>	<b>2011/12</b>	<b>2010/11</b>
	R'000	R'000
Goods and services	<input type="text"/>	<input type="text"/>

The Department of ..... makes use of ..... (no of vehicles) GG vehicles of Government Motor Transport based on daily and kilometre tariffs as approved by the Provincial Treasury.

14. The Provincial Treasury is, in collaboration with TPW, conducting an investigation of the operations and management of GG vehicles by GMT in the Province and will provide progress on the investigation.
15. Your cooperation in the above regards is appreciated.



**PROVINCIAL ACCOUNTANT-GENERAL**

DATE: 07/10/2011



**Annexure A**

**Operating Lease register (example only)  
Department ABC**

Asset description (Make Model)	Contract number (SLA)	Asset number (Vehicle Reg no.)	Asset location	Contract start date (Date vehicle acquired)	Contract end date life End econ life cycle	Lease instalments (Daily Tariff)	Lease term	Value of asset*