

**PROVINSIALE TESOURIE • PROVINCIAL TREASURY •  
UNONDYEBO WEPHONDO**



Verwysing  
Reference  
Isalathiso

PT 7/1/1

Navrae  
Enquiries  
Imibuzo

SP Manuel

**TREASURY CIRCULAR, NO 40/2008**

**THE PREMIER**

THE MINISTER OF AGRICULTURE  
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

For information

**ALL OTHER MEMBERS OF PARLIAMENT**

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MS V PETERSEN)  
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 (MR RB SWARTZ)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KG HOUSEHAM)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS S FOLLENTINE) (ACTING)  
THE ACCOUNTING OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MS S MAJIET)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR R ELLIS) (ACTING)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR T MANYATHI)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR B ROBERTS)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS) (ACTING)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR H ARENDSE)  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS A SMIT)  
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: LOCAL GOVERNMENT AND HOUSING (MR D BASSON)  
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 (MR S BOWES) (ACTING)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS) (ACTING)  
THE HEAD: ASSET MANAGEMENT (MR A BASTIAANSE) (ACTING)  
THE HEAD: FINANCIAL GOVERNANCE (MR TC ARENDSE)  
THE HEAD: PUBLIC FINANCE (MR H MALILA)  
THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)  
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)  
THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS PG PIEDT)  
THE SENIOR MANAGER: ACCOUNTING: PROVINCIAL GOVERNMENT (MR A REDDY)  
THE SENIOR MANAGER: ACCOUNTING: LOCAL GOVERNMENT (MS N OLIPHANT) (ACTING)  
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK) (ACTING)  
THE SENIOR MANAGER: INTERNAL AUDIT: G & A CLUSTER (MS B CAIRNCROSS)  
THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER (MR V ZINGITWA)  
THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (VACANT)  
THE SENIOR MANAGER: ECONOMIC ANALYSIS (MS W MAPIRA) (ACTING)  
THE SENIOR MANAGER: BUDGET MANAGEMENT (MR PP PIENAAR) (ACTING)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR G PAULSE)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MS N VAN WYK) (ACTING)  
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS A PICK) (PRO TEM)  
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 MINISTRY (MS J DAVIDS)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

## **INTER-DEPARTMENTAL AND -GOVERNMENTAL RECEIVABLES AND PAYABLES**

### **Purpose**

1. To provide guidelines to departments on the process and procedures to be followed for the payment and recovery of inter-departmental and inter-governmental claims.

### **Background**

2. In order to promote sound financial management in terms of the PFMA, departments must ensure that all monies payable are settled within 30 days of receipt of invoice in compliance with Treasury Regulation 8.2.3. Accounting Officers are, therefore required to develop and implement the necessary procedures and controls in this regard.<sup>3</sup>
3. Whilst, notwithstanding the soundness of the aforementioned, the process must remain sensitive to the letter and spirit of the Constitution, particularly section 41(1)(h) calling for co-operative governance and more specifically, section 41(1)(h)(iv), which calls for the avoidance of legal proceedings between different spheres of government.
4. Section 41(3) of the Constitution imposes a constitutional duty on any organ of State involved in an inter-governmental dispute to make every reasonable effort to settle the dispute by means of mechanisms and procedures provided for that purpose and all other remedies must be exhausted before it approaches a court to resolve the dispute.
5. A clear distinction must be maintained between inter-departmental (Provincial) and inter-governmental (National) claims. The recovery of inter-governmental claims may also pose a problem where the involvement of the State Attorney is envisaged as he/she may be faced with a conflict of interests. Such a scenario will have to be discussed with the State Attorney. In instances where the State Attorney is faced with an actual or potential conflict of interest between Provincial and National Government, the State Attorney is obliged to act for the National Government. In such cases the Provincial Government may, via our legal service department, appoint a private attorney, and any reference to the State Attorney may therefore include a reference to a private legal practitioner, as the case may be (see General Note in chapter 12.1(A) of the Western Cape Provincial Treasury Instructions issued on 29 April 2008).
6. It follows from the above that the assistance of the Provincial Treasury and Legal Services should only be called upon when claims and actions are of a material nature

and not for general matters that should be settled via normal actions of departments.

#### **Accounting of Inter-Departmental and Inter-Governmental receivables and payables**

7. On discovery of an amount owing by another department, the amount should be debited to the claims Recoverable account and a claim should be forwarded to the said department. A claim form (Z59 or similar) that identifies the claiming department should be used when claiming.
8. The Chief Financial Officer (CFO) of a department should report monthly to the Accounting Officer (AO) on all outstanding claims.

#### **Claims Records**

9. The designated official should open a claim file once a claim is identified.
10. A copy of all correspondence (Z59 form, supporting documentation, etc.) pertaining to the claim must be maintained on the particular claim file.

#### **Recovery System**

11. The designated official should ensure that an official claim is lodged against the respective department for the amount owing.
12. It is recommended that the function at each department be centralised in order to exercise efficient control over outstanding claims.
13. The claim form together with substantiating documentation must be forwarded to the department. It is important to ensure that the claim is addressed correctly and it is good practice to obtain an acknowledgement of receipt.
14. It is the responsibility of the accounting officer of a department to ensure that all claims are settled within 30 days of receipt. (In terms of the Treasury Regulation 8.2.3, all payments due must be settled within 30 days, unless determine otherwise in a contract or other agreement).

#### **Inter-Departmental Claims (within Province)**

15. The following steps are suggested, should no tangible progress be made with the settlement of the claim within 30 days after receipt of claim:
  - A letter between the Heads of Department, requesting settlement.
  - If all other steps proved to be unsuccessful, request intervention of Provincial Treasury in terms of sections 18(2)(b) and (g) of the PFMA. These requests will be recorded in the minutes of the Provincial Financial Accountant Forum. Details of

steps already taken should be forwarded to the Provincial Treasury: Accounting Services in such instances.

**Inter-Governmental Claims (other provinces and national departments)**

16. When following up inter-governmental claims, factors such as the age of the claim, the amount involved and the consequences of the proposed actions should be taken into consideration. The following successive steps are suggested, should no tangible progress be made within 30 days after receipt of claim:
  - A letter (**first letter**) from the Head of Department of the Department that is claiming, to the Head of Department from whom settlement is requested.
  - A letter (**second letter**) by the Director-General of this Province directed to the Director-General of Department/Province from whom settlement is requested if no tangible progress be made within 14 days after receipt of first letter.
  - A letter (**third letter**) by the MEC of the Department that is claiming, to the MEC/Minister of the Department/Province from whom settlement is requested if no tangible progress be made within 21 days after receipt of second letter.
  - Request the Provincial Treasury to pursue the matter with National Treasury, in terms of section 6(2)(b) and (f) of the PFMA if no tangible progress be made within 30 days after receipt of third letter. These requests will be recorded in the minutes of the Provincial Financial Accounting Forum.
  
17. Should no tangible progress still be made, a letter in terms section 41(1)(h) of the Constitution of the Republic of South Africa, 1996, written in the spirit of co-operative governance, requesting settlement should be forwarded to the respective institution. After that a legal letter, written in the context of placing the other party in *mora* (Legal Service/State Attorney should assist). The last resort will be by means of either arbitration or litigation (as advised by Legal Services/State Attorney).

**Required**

18. Department must settle all claims within **30 days** of receipt of claim.
19. All claims must be acknowledged within **15 days** (acknowledgements via e-mails will be acceptable).
20. These requirements are effective from the date of the circular.

**Enquiries**

21. Any further enquiries in this regard may be directed to:

- Shaun Manuel (Accounting Services) (021) 483 6600
- Henri du Toit (Accounting Services) (021) 483 3023
- Niezel Palmer (Corporate Governance) (021) 483 9924
- Liezel Tsegarie (Corporate Governance) (021) 483 9931

  
A REDDY

ACTING PROVINCIAL ACCOUNTANT – GENERAL

DATE: 26/09/2008