

PROVINSIALE TESOURIE • PROVINCIAL TREASURY •
UNONDYEBO WEPHONDO



Verwysing
Reference
Isalathiso

PT 19/1/3

Navrae
Enquiries
Imibuzo

HJ du Toit

TREASURY CIRCULAR NO.10/2007

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS, SPORT AND RECREATION
THE MINISTER OF EDUCATION
THE MINISTER OF ENVIRONMENT, PLANNING AND ECONOMIC DEVELOPMENT
THE MINISTER OF FINANCE AND TOURISM
THE MINISTER OF HEALTH
THE MINISTER OF LOCAL GOVERNMENT AND HOUSING
THE MINISTER OF SOCIAL SERVICES AND POVERTY ALLEVIATION
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

For information

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (DR GA LAWRENCE)
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 (MR M DELIWE)
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 K LUBELWANA) (ACTING)
THE ACCOUNTING OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MS S MAJJET)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T TOLMAY)
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 (DR H FAST) (ACTING)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR MN LINDIE)

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 MACIKAMA) (ACTING)
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 PAE BREDEKAMP)
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 A ASSIM)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: SUSTAINABLE RESOURCE MANAGEMENT (MS SMA ROBINSON)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE HEAD: FINANCIAL GOVERNANCE (MR TC ARENDSE)
THE HEAD: PUBLIC FINANCE (MR H MALILA)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS C MILES) (ACTING)
THE SENIOR MANAGER: ACCOUNTING (MR A REDDY)
THE SENIOR MANAGER: NORMATIVE FINANCIAL MANAGEMENT (MR F JACOBS) (ACTING)
THE SENIOR MANAGER: ENTERPRISE RISK MANAGEMENT AND GOVERNANCE SYSTEMS (MR L NENE)
THE CHIEF AUDIT EXECUTIVE (MS R JAFTHA)
THE SENIOR MANAGER: ECONOMIC ANALYSIS (MS B BOQWANA)
THE SENIOR MANAGER: FISCAL POLICY (MR D CORNELISSEN) (ACTING)
THE SENIOR MANAGER: BUDGET MANAGEMENT (MS AJ HICKEY)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MR DG BASSON)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (MR G PAULSE)
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE MINISTRY (MR G GESWINDT)

THE PROVINCIAL AUDITOR

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ACCOUNTING OF AND REPORTING ON IMMOVABLE ASSETS

Purpose

1. To provide guidelines to Accounting Officers and Chief Financial Officers of the Departments of Transport and Public Works, Health and Education on the following:
 - 1.1 Accounting of construction costs on new buildings and capital improvements to existing buildings; and
 - 1.2 Reporting on immovable assets in the annual financial statements.

Background

2. Immovable assets owned by the Western Cape Provincial Government are recorded in the asset register of the Department of Transport and Public Works. In terms of service delivery agreements, Departments, as users, must manage and maintain immovable assets assigned for their sole use. Shared buildings such as the Tower Block, is maintained by the Department of Transport and Public Works.
3. Expenditure incurred is classified in terms of the Standard Chart of Accounts based on the "Reference Guide to the New Economic Reporting Format". Guidelines are provided to make a distinction between capital and current expenditure to be applied for recording and subsequent reporting in statutory reports.
4. Annually the National Treasury issues "Guidelines for preparation of annual reports" that also includes guidelines for compiling annual financial statements, referred to as "Guidelines" in this Circular. The Guidelines for the disclosure of assets must be followed to ensure that the annual financial statement reporting requirements are met at year-end.
5. In terms of the Division of Revenue Act, as amended annually, the following prescripts relate to Provincial Infrastructure Grants –

"(2) A province must ensure that its provincial departments responsible for education, health and roads –

 - (a) are responsible for all capital and maintenance budgets and spending for those functions;
 - (b) enter into, implement and manage service delivery agreements with provincial departments responsible for public works or public entities, where such departments and entities manage or undertake construction or maintenance on their behalf."
6. It must be noted that at a meeting held on 13 March 2007 with the relevant departments this circular in its draft format was accepted in principle.

Accounting of construction cost on immovable assets

7. Capital expenditure on immovable assets are incurred from voted funds on the budget of the department, mainly resulting from:
 - Acquisition of properties, inclusive of land, buildings, facilities etc.
 - Work-in-Progress (WIP) on construction projects
 - Work-in-Progress on self constructed projects (new or additions to existing buildings)

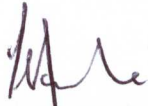
8. The cost of self constructed projects, including WIP, must be incurred against:
 - o Objective: capital – capital projects
 - o Item: current item applicable
9. A WIP project is only deemed completed when the final payment, including all retentions, have been effected. Only at this stage will an immovable asset be transferred from WIP to the asset register of the department involved and then transferred out to the asset register of the Department of Transport and Public Works.

Reporting on immovable assets in the annual financial statements

10. The annual disclosure of immovable assets must be compiled in accordance with the latest Guidelines issued by the National Treasury.
11. The following additional disclosure requirements must be followed for reporting on WIP and completed projects:
 - 11.1 Payments made on WIP during a financial year on projects that have not been completed at year-end must be disclosed in that financial year by reducing capitalized expenditure as required in the Guidelines of NT.
 - 11.2 Payments made during the current year on projects completed during the year must be deducted, as the total amount of such projects will be included under “transfers in” with total cost incurred and thereafter as “transfer out” also with the total cost of the asset. The Department of Transport and Public Work must disclose the capital value of the asset (equal to the value of the total cost) as a “transfer in”.
12. In terms of section 42 of the PFMA, a duly authorized transfer certificate must be made available for audit purposes, in support of the transfer of assets.
13. The Service Delivery Agreements between the Department of Transport and Public Works and user departments must be aligned to this Circular.

Required

14. This circular is applicable to the departments involved and effective for the 2006/07 financial statements.



Provincial Accountant-General

Date:

29/03/2007