



PROVINCIAL TREASURY

Provincial Government of the Western Cape

PROVINCIAL GOVERNMENT ACCOUNTING SERVICES

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ENQUIRIES: Henri du Toit

TREASURY CIRCULAR NO³⁰_N 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

} For information

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 LUBELWAN A)
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

ANNUAL FINANCIAL STATEMENT 2010/11: GUIDANCE ON THE ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR 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 retraction of PT Circular 15/2011 dated 5 May 2011;
 - 1.2 The requirement to re-classify the expenditure on daily tariffs for permanently allocated GG vehicles incurred in the 2009/10 and 2010/11 financial years from item "transport and subsistence" to item "operational lease: expenditure"; and
 - 1.3 The requirement to disclose operational lease commitments for permanently allocated GG vehicles in the AFS 2010/11 for both 2009/10 and 2010/11.
 - 1.4 The requirement to disclose the relationship between the department and GMT as a related party transaction in terms of the Departmental Financial Reporting Framework Guide.

BACKGROUND

2. After consultation with the Auditor-General of South Africa (AGSA) it was noted that PT Circular 15 of 2011 dated 15 May 2011 was in conflict with the National Treasury's Accounting framework and should therefore have been issued by the National Treasury as a practice note.
3. After further discussion with the AGSA, it was agreed that the permanently allocated GG vehicles of departments and the Provincial Parliament must be classified as operating leases and in view thereof the expenditure relating to daily tariffs must be reclassified as operating lease expenditure and the operating lease commitments must also be disclosed in the 2010/11 AFS for both 2009/10 and 2010/11.

ACCOUNTING PRINCIPLES

4. After consulting with the CFOs of departments and the AGSA the following principles were agreed to in respect of permanently allocated vehicles:

- a) Only costs with respect to vehicles on the schedules as compiled by GMT as at 31 March 2010 and 2011, i.e. permanently allocated government garage vehicles, will be treated as "operating leases".
- b) Only the costs of daily tariffs will be classified as "operating lease costs".
- c) The schedules as compiled by GMT will indicate the daily tariffs for the relevant years.
- d) A separate schedule will also be provided by GMT indicating the lease commitments at the end of each of the two years.
- e) Departments will calculate the costs of daily tariffs for the listed vehicles and amend the AFS for 2010/11 to reflect this cost under Goods & Services as operating lease expenditure and not as travel and the subsistence.
- f) Departments will further adjust the AFS to reflect the operating lease commitments in the relevant disclosure note.
- g) The above will ensure consistency between the reclassification of the operating lease expenditure and the lease commitments.
- h) The relationship between the Department and GMT will be disclosed as a related party transaction in terms of the guidance provided in the Departmental Financial Reporting Framework Guide, Chapter 8, paragraph 37.

TIME FRAMES

- 5. As discussed with the AGSA, the time frames for effecting the required adjustments to the AFS in terms of this Treasury Circular must be agreed at the respective audit steering committee meetings.

REQUIRED ACTIONS

Expenditure

- 6. Reclassification of expenditure in the 2010/11 AFS based on the aforementioned principles:

- 6.1 Departments and the Provincial Parliament are required to reclassify expenditure on daily tariffs in the AFS 201/11 in terms of the schedules provided by GMT as follows:

- 6.1.1 For 2009/10, on the template, in the worksheet 'p/y TB' shift expenditure as follows –

Dr – Operating lease expenditure	R	
Cr – T&S Dom without operator GG vehicle		R

6.1.2 For 2010/11, request permission from the AGSA to effect the following journal entry on BAS -

Dr – Operating lease expenditure	R	
Cr – T&S Dom without operator GG vehicle		R

Operating lease commitments

7. Disclosure of operating lease commitments in the 2010/11 AFS:

7.1 Provide the required information on operating lease expenditure in disclosure note 33.1 for 2009/10 and 2010/11 under the 'machinery and equipment' based on the schedules provided by GMT.

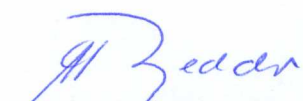
Related Party transactions

8. The department's related party relationship with GMT must be disclosed under note 37. The following is an example of a department making monthly payments for the use of GG vehicles:

Payments made	2010/11	2009/10
	R'000	R'000
Goods and services		
Daily tariffs	<input type="text"/>	<input type="text"/>
Kilometer tariffs	<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.

9. Further clarity will be provided for the 2011/12 financial year.


SENIOR MANAGER
PROVINCIAL GOVERNMENT ACCOUNTING SERVICES
DATE: 28/06/2011