



**Western Cape
Government**

Provincial Treasury

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File Reference: T7/2/1
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TREASURY CIRCULAR NO. 33/2012 (Supplementary 1 of 2012)

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 HUMAN SETTLEMENTS
- 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

- THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
- THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)
- 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 (MR M RICHARDSON)
- THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR M TSHANGANA)
- THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
- 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 D BASSON)
- THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
- THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYNS)
- 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: HUMAN SETTLEMENTS (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 (MS B SEWLALL-SINGH)

- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR R BENNIT) (ACTING)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MS M MOROKA)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR N FLAATTEN)
- THE CHIEF EXECUTIVE OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR C GILFELLAN)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMISSION (MS J MOLELEKI)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE HERITAGE COMMISSION (MS J MOLELEKI)
- THE CHIEF EXECUTIVE OFFICER: CASIDRA (MS T MLONYENI) (ACTING)
- THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR BOARD (MR S FOURIE)

- THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
- THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR A PRESTSON)
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- THE CHIEF FINANCIAL OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR H BONESCHANS)
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- THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE COMMISSION (MS B RUTGERS)

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THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR BOARD (MS M ABRAHAMS)

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THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (VACANT)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: LOCAL GOVERNMENT FINANCE (MR TC ARENDSE)
THE HEAD: FINANCIAL GOVERNANCE (MR A HARDIEN)
THE HEAD: ASSET MANAGEMENT (MR I SMITH)
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THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
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THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS T EVANS)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

ANNUAL FINANCIAL STATEMENTS 2011/12: REQUIREMENTS FOR THE ACCOUNTING AND DISCLOSURE OF "PERMANENTLY ALLOCATED" GOVERNMENT VEHICLES

PURPOSE

1. The purpose of this Supplementary Circular 1 of 33/2012 is to inform Accounting Officers (AOs), Accounting Authorities, Chief Financial Officers (CFOs) and the Provincial Parliament of the following:
 - 1.1 The National Treasury Office of the Accountant-General's (NT OAG) approval for departure from the disclosure of amortisation tables in terms of section 79 of the PFMA.
 - 1.2 The revised disclosure requirements in term of the NT OAG's departure granted.
 - 1.3 Timeframes and steps to be followed to finalise the AFS and the audit process.

BACKGROUND

2. Provincial Treasury Circular 33 of 2012 was issued as guidance to departments and entities on the accounting treatment and the disclosure requirements of GG vehicle expenditure as finance leases.
3. At a meeting held on 11 July 2012, between the officials of the Auditor-General of South Africa (AGSA), Provincial Treasury and Government Motor Transport (GMT) regarding the audit of the AFS of GMT, the AGSA indicated that the carrying values of approximately 900 GG vehicles were lower than their determined residual values. This would require GMT to review the useful lives and present value

calculations of the 900 GG vehicles which could impact the finance lease disclosure information provided to departments as determined by the amortisation tables of each GG vehicle.

4. In order for GMT to review the amortisations tables of 900 GG vehicles, it would go beyond the timeframes of the AGSA set for finalising the audit process of departments.
5. In view thereof, the NT OAG was approached for the departure from the finance lease disclosure requirements with regard to amortisation tables. Such approval was obtained from the NT OAG on 11 July 2012.

GG VEHICLE DISCLOSURE ISSUES IN RESPECT OF DEPARTMENTS

6. In terms of the Departmental Reporting Framework Guide, finance lease expenditure must be disclosed based on amortisation tables that calculate the finance lease expenditure and interest over the useful life of the asset.
7. In the absence of amortisation tables in terms of the departure granted by the NT OAG, it would not be possible to provide a breakdown of interest and capital expenditure. Hence, departments will have to account for daily tariffs paid as capital expenditure.
8. As the arrangement between departments and GMT is still classified as a finance lease, departments will be required to disclose the asset disclosure information as provided.

REQUIRED

DEPARTMENTS

Disclosure of daily and kilometre tariff expenditure

9. Paragraph 7.2.1 of Circular 33 of 2012 dated 2 July 2012 is replaced by the following requirement:
 - 9.1.1 The kilometre tariff expenditure included in T&S must remain in T&S.
 - 9.1.2 The full portion of daily tariff expenditure must be accounted for as capital expenditure. In this regard the finance charges (interest) that was previously provided must be journalised (added) to finance lease expenditure (capital) through pro forma entries on the AFS template for the 2010/11 and 2011/12 financial years.

- 9.1.3 The appropriation statement must be adjusted accordingly, i. e. interest added to finance lease (capital) expenditure. Where the capital expenditure budget is exceeded as a result of the accounting treatment of GG vehicles as finance lease expenditure, (technically resulting in possible unauthorised expenditure), an explanation must be provided in the notes to the appropriation statement, clearly distinguishing between unauthorised expenditure resulting from normal capital expenditure and finance lease related capital expenditure.

Disclosure of Finance lease commitments

10. The finance lease commitments as required in paragraph 8 of Circular 33 of 2012 dated 2 July 2012 must be compiled based on the schedule below:

Finance lease commitments

The arrangement between "**name of entity**" and GMT constitutes finance leases. The obligation in respect of the finance leases are presented below:

Future lease payments

Lease payments	Within 1 year	2 – 5 years	More than 5 years
Total lease payments			

"**Department name**" leased "**no of vehicles**" from GMT since its creation. Daily tariffs are payable on a monthly bases, covering the operational costs, capital costs towards the replacement of vehicles.

NB This information will be provided by the Provincial Treasury to all departments by 11h00 on Monday, 16 July 2012.

Disclosure of asset information

11. The disclosure information provided on the assets must still be included in the movable tangible disclosure note.

Audit Certification issued to Departments

12. The Audit certificates were issued by the Department of Transport and Public Works only applies in terms of the asset disclosure information. The finance lease commitments and daily tariff expenditure, as provided, does not apply in view of the departure from compiling amortisation tables. These audit certificates must please be included as part of your supporting documentation in your audit file.

ENTITIES

13. The disclosure requirements provided in paragraph 11 of Treasury Circular 33 of 2012 dated 2 July 2012 is still applicable to public and trading entities.

TIMEFRAMES

14. The 2011/12 AFS of departments must please be revised and submitted to the AGSA before close of business on 16 July 2012 for the finalisation of the audit process. The AGSA will not entertain any late submission beyond this timeline as they are required to finalise the audit process.
15. Your co-operation in this regard is highly appreciated.



ACTING PROVINCIAL ACCOUNTANT-GENERAL
DATE: 13 July 2012