



PROVINCIAL TREASURY

Provincial Government of the Western Cape

PROVINCIAL GOVERNMENT ACCOUNTING SERVICES

hjdutoit@pgwc.gov.za
tel: +27 21 4833023 fax: +27 21 4836430
7 Wale Street, Cape Town, 8001
www.capegateway.gov.za

REFERENCE: T 7/2/1

ENQUIRIES: Henri du Toit

TREASURY CIRCULAR NO 21 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

ANNUAL FINANCIAL STATEMENTS 2010/11:DISCLOSURE OF CASH AND CASH EQUIVALENTS

PURPOSE

1. To provide Accounting Officers and Chief Financial Officers with additional guidance pertaining to the compilation and finalization of annual financial statements for the 2010/11 financial year.

BACKGROUND

2. Departments compile the 2010/11 AFS in terms of the Departmental Financial Reporting Framework Guide for the year ended 31 March 2011 issued in terms of the PFMA by the National Treasury: Office of the Accountant General.
3. The Provincial Treasury analysed the guidance provided in the Departmental Financial Reporting Framework Guide 2010/11, Chapter 6, paragraph 15 and established that guidance on the disclosure of disbursements as part of Cash and Cash equivalents is unclear.

CASH AND CASH EQUIVALENTS DISCLOSURE REQUIREMENT

4. The prescribed accounting policy on cash and cash equivalents contained in the 2010/11 Word template reads as follows:

"Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts."

5. Cash and Cash equivalents in Chapter 6 of the Departmental Financial Reporting Framework Guide as prescribed includes:

- bank account balances
- Cash awaiting banking
- Petty cash/imprest floats
- Cash in transit
- Short term deposits
- Deposits at call, and
- Other highly liquid investments that are readily convertible to cash on hand at the entity's option.

6. For the 2009/10 AFS NT OAG confirmed that the balance of disbursements account will have to be netted off against the paymaster general account and the net balance must be disclosed as cash and cash equivalents (debit balance) or bank overdraft (credit). To maintain consistency the following examples illustrate the disclosure requirements that should be applied for the 2010/11 AFS:

Scenario 1

Department X

Paymaster general account	R3 456 700	a
Disbursements	(R1 900 300)	b
Short term investments	R3 800 989	c

Disclosed in the AFS (Statement of Financial position) as follows:

Cash and cash equivalents	R5 357 389	(a+b+c)
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Scenario 2

Department Y

Paymaster general account	R 50 000	a
Disbursements	(R600 000)	b
Short term investments	R859 000	c

Disclosed in the AFS (Statement of Financial position) as follows:

Cash and cash equivalents	R859 000	(c)
Bank overdraft	(R550 000)	(a+b)

Scenario 3

Department Z

Paymaster general account	(R 258 000)	a
Disbursements	(R600 000)	b
Short term investments	R859 000	c

Disclosed in the AFS (Statement of Financial position) as follows:

Cash and cash equivalents	R859 000	(c)
Bank overdraft	(R858 000)	(a+b)

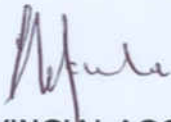
The accounting policy for cash and cash equivalents in the current year is consistent with prior year, however has not been consistently applied by departments in the 2009/10 financial year. The relevant 2009/10 AFS information will have to be assessed and restated if it is not in line with the above analysis.

REQUIRED

7. CFOs are requested to check that the abovementioned issue has been addressed in their final set of financial statements before submission to the AGSA on 31 May 2011.

APPRECIATION

8. The Provincial Treasury wishes to express its gratitude to all officials who have provided feedback, comments and inputs during the challenging period of compiling the AFS and wishes them well with their 2010/11 audits.



PROVINCIAL ACCOUNTANT-GENERAL

DATE:

26/05/2011