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## TREASURY CIRCULAR NO. 21/2019

THE PREMIER

THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES

THE MINISTER OF COMMUNITY SAFETY

THE MINISTER OF CULTURAL AFFAIRS AND SPORT

THE MINISTER OF EDUCATION

THE MINISTER OF FINANCE

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

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV. B GERBER)

THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)

THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MS J GANTANA)

THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)

THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)

THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)

THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)

THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)

THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)

THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)

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 (MR G PAULSE)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)

THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)

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 T GILDENHUYS)

THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV. C SMITH)

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 HEAD OFFICIAL: PROVINCIAL TREASURY (MS J GANTANA) (ACTING)

THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (PRO TEM) (MS J GANTANA)

THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)

THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MS R SLINGER) (ACTING)

THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS A PICK) (ACTING)

THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)

THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)

THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)

For information

THE CHIEF FINANCIAL OFFICER (MS A SMIT)  
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (VACANT)  
 THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)  
 THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)  
 THE DIRECTOR: FISCAL POLICY (DR N NLEYA)  
 THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)  
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR L BRINDERS)  
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR M BOOYSEN)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (VACANT)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE) (ACTING)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)  
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS JA HENDRICKS) (ACTING)  
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)  
 THE PROVINCIAL AUDITOR  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

## ACCOUNTING TREATMENT OF LOST/DAMAGED ASSETS

### 1. PURPOSE

- 1.1 To provide guidance to Accounting Officers and Chief Financial Officer on the accounting treatment for the write-off of lost/damaged assets.

### 2. BACKGROUND

- 2.1 The issue of the inconsistent accounting treatment for the write-off of lost/damaged assets was raised at the Financial Accountant's Forum. Whilst, in some instances losses of assets are dealt with by writing off the assets against "payments for financial assets" that has budgetary implications, and in other instances lost /damaged assets are removed from the asset register after following the disposal process.
- 2.2 The key distinction between the two processes followed above is that one relates to the writing off of debtors against "payments for financial assets" that is recognised in the financial statements, and the other relates to the write-off of assets that is not recognised in the financial statements but recorded as secondary information.
- 2.3 The primary argument for this distinction is that in the case of the write off of debtors there is a financial transaction that meets the definition of an element and satisfies the criteria for recognition in the statement of financial performance, but whereas the write -off of assets fails to meet the criteria, but still possess the characteristics of an element, it therefore should be recorded as a disclosure in the secondary information.

### 3. LEGISLATIVE REQUIREMENTS

- 3.1 Public Finance Management Act (PFMA) 1999 (Act 1 of 1999) Section 38 (1)(d)

"(1) The accounting officer for a department, trading entity or constitutional institution-

(d) is responsible for the management including the safeguarding and the maintenance of the assets and for the management of the liabilities of the department, entity or constitutional institution."

- 3.2 Section 45(e) states that, "An official in a department, trading entity or constitutional institution (e) is responsible for the management, including the safe-guarding, of the assets and the management of the liabilities within that official's area of responsibility".

#### 4. ACCOUNTING FOR LOST/DAMAGED ASSETS

Based on the background information provided, the accounting and disposal of damaged/lost assets is discussed based on the following scenario:

A laptop purchased on 15 April 2018 for a cost of R20 000 and taken up in the asset register at cost:

##### Example 1: Official found liable

##### Current financial year transaction

An official's laptop was stolen on 20 June 2018 and the official was found to have been negligent and therefore liable for the loss. The following steps are followed:

- The asset is removed from the Asset Register at cost (R20 000).
- The cost of the laptop will be determined in terms of PTI 12.13.1 (c):
  - (i) articles described as new at 90 per cent of the replacement value;
  - (ii) articles described as good at 75 per cent of the replacement value;
  - (iii) articles described as fair at 50 per cent of the replacement value; and
  - (iv) articles described as poor at 20 per cent of the replacement value.
- A debt is raised against the official as follows:

|                      |        |
|----------------------|--------|
| Dr Debt account      | Rxxxxx |
| Cr Receivable income | Rxxxxx |

- If the debt has been deemed irrecoverable by the Accounting Officer, it must be written-off under thefts and losses. The effect of the write-off will be as follows on BAS:

|                     |        |
|---------------------|--------|
| Dr Theft and losses | Rxxxxx |
| Cr Debt Account     | Rxxxxx |

##### Example 2: Official not found liable

An official's laptop was stolen on 20 June 2018 and the official was found not to have been negligent and therefore not liable for the loss.

The asset would then be disclosed as a disposal in note 39.5 or 41.5 with no further entries made in the primary information.

When a replacement laptop is purchased, the following accounting entries will take place when a payment is made:

|  |        |
|--|--------|
| Dr Computer Equipment (capital assets) | Rxxxxx |
| Cr Bank                                | Rxxxxx |

**5. REQUIRED**

Departments are required to apply the accounting treatment for the write-off of assets consistently in terms of the guidance provided in this circular.



**DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING AND COMPLIANCE**

**DATE:** 6/06/2019