Western Cape Government
Provincial Treasury

Henri du Toit
Provincial Government Accounting and Compliance
E-mail: Henri.duToit@westerncape.gov.za
Tel: +27 21 483 3023

Reference number: RCS/C.6

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR NO. 12/2019

THE PREMIER
THE MINISTER OF 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 EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER IH MEYER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)
THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER B SCHÄFER)
THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER B SCHÄFER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER B SCHÄFER)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER A WINDE)

For information

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 (MR Z HOOSAIN)
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)

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 (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 ACCOUNTING AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MR D LAKAY)
THE ACCOUNTING AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (PROF. G MANEVELDT)
THE ACCOUNTING AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR B FIGAJI)
THE ACCOUNTING AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (DR J STEGMANN)
THE ACCOUNTING AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)
THE ACCOUNTING AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)
THE ACCOUNTING AUTHORITY: WESTERN CAPE HERITAGE (MR M DLAMUKA)
THE ACCOUNTING AUTHORITY: CASIDRA (MR A MOOS)
THE ACCOUNTING AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (ADV. T SIDAKI)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR T HARRIS)
THE CHIEF EXECUTIVE OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MS K BEUKES) (ACTING)
THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR A SEYMOUR)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (DR L MDUNYELWA)

THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MS Z SIWA)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR M BHAYAT)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MS K ZAMA)
THE CHIEF FINANCIAL OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MR H BONESCHANS)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)
THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MS M VOS) (ACTING)
THE DIRECTOR: GOVERNMENT MOTOR TRANSPORT (MR R WIGGILL)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)
THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (VACANT)
THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
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)
THE CHIEF FINANCIAL OFFICER (MS A SMIT)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV. E PRETORIUS)
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 RH SLINGER)
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 R JULIE) (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)

DISCLOSURE OF IMMOVABLE ASSETS TRANSFERRED IN TERMS OF SECTION 42 OF THE PFMA

PURPOSE

1. To provide guidance on the disclosure of immovable assets transferred from the User Department (Budget holder) to the Custodian Department during a financial year in terms of the relevant accounting frameworks, with due consideration to the PFMA.

2. This PT Circular replaces PT Circular 4 of 2019, and should be read in conjunction with PT Circular 10/2007 dated 29 March 2007 and PT Circular 10/2007 (Supplementary 1 of 2007) (see Annexure 1 and 2).

BACKGROUND

3. PT recognises that the disclosure of immovable assets transferred from a Department (Budget holder) to the custodian Department (Transport and Public Works) in terms of section 42 of the PFMA posed a challenge and is required to provide guidance to clarify, in terms of the present standards and guidelines.

3.1 PT issued guidance to departments on the accounting of immovable assets in Treasury Circular 10 of 2007, requesting Budget holders to transfer final completed assets to the custodian Department, as soon as is practical.

3.2 The MCS Chapter (issued May 2018) in the Preface to the Modified Cash Standard, par. 03 states that "Departments and any other entity that claims compliance with the modified cash basis of accounting must adhere fully with the principles, presentation and disclosure requirements contained in this Standard to achieve fair presentation, and compliance with the PFMA and its regulations."

DEFINITIONS

4. The following definitions are extracted from the Immovable Assets Guide (updated March 2018), define terms that are used in this context:

4.1 "**Immovable asset** means any tangible asset acquired or owned by government, excluding any right contemplated in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002). Immovable assets may include land, fixed structures such as buildings and infrastructure assets. Plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair)."

4.2 "**ready for use** when "the project has progressed to the stage where the facility can be occupied for use as intended by management for example, access is available for vehicles, people, etc, to the extent that normal business can be conducted."

4.3 "**final completion** when all contractual obligations under the contract has been fulfilled, including the payment of retention monies, and a final costing can be done and the project closed."

4.4 "**transfer** as "the process of transferring an asset with all relevant documentation as envisaged by legislation (Section 42 of the PFMA). It may not necessarily involve an endorsement of a title deed."

5. The following definitions are extracted from the Modified Cash Standard (updated May 2018):

5.1 "**Recognition** is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an element and satisfies the criteria for recognition set out in paragraph .66. It involves the depiction of the item in words, and in monetary amounts, and the inclusion of those amounts in the statement of financial position or statement of financial performance totals".

5.2 "**Recording** is the process of capturing the financial information relating to a particular transaction, event, asset or liability in the electronic or manual accounting records of the department for the purposes of disclosure as secondary financial information".

5.3 "**Disclosure** is the depiction of a recognised and or recorded item of information in the notes to financial statements in accordance with the requirements of this Standard, whereas presentation refers to the layout and positioning of the item within the primary financial statements".

5.4 **“Prior period errors** are omissions from, and misstatements in, the department’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud”.

5.5 **“Prospective application** of a change in an accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:

a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and

b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change”.

5.6 **“Retrospective application** is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied”.

5.7 **“Retrospective restatement** is correcting the recognition, measurement and disclosure of amounts of elements of financial statements and or disclosure notes as if a prior period error had never occurred”.

5.8 **Events after the reporting date** are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue

LEGISLATIVE BACKGROUND

6. In relation to the management of assets, section 38 of the PFMA states that:

"General responsibilities of accounting officers

1. The accounting officer for a department, trading entity or constitutional institution responsibilities: -

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

7. The PFMA Section 42 states that:

“Accounting officers’ responsibilities when assets and liabilities are transferred.

(1) When assets or liabilities of a department are transferred to another department or other institution in terms of legislation or following a reorganisation of functions, the accounting officer for the transferring department must—

(a) draw up an inventory of such assets and liabilities; and

(b) provide the accounting officer for the receiving department or other institution with substantiating records, including personnel records of staff to be transferred.

(2) Both the accounting officer for the transferring department and the accounting officer for the receiving department or other institution must sign the inventory when the transfer takes place.

(3) The accounting officer for the transferring department must file a copy of the signed inventory with the relevant treasury and the Auditor-General within 14 days of the transfer."

8. NTR 10 Asset Management states that:

"10.1 Responsibility for asset management (section 38(1)(d) of the PFMA)

The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that: -

(a) preventive mechanisms are in place to eliminate theft, losses, wastage and misuse; and

(b) stock levels are at an optimum and economical level.

10.2 The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution's assets."

MODIFIED CASH STANDARD/ACCOUNTING MANUAL FOR DEPARTMENTS

9. **Principles of the modified cash basis of accounting**

Departments' financial statements are prepared on a **modified cash basis of accounting**. This is the cash basis of accounting, with **supplementary accrual information** provided in the notes to the financial statements.

MCS Chapter 2 Concept and Principles:

Par. 17 states that:

"For the purposes of the MCS, the recognised assets, liabilities, revenue and expenditure are presented as primary financial information, whereas the supplementary information is presented as secondary information in the notes.

Secondary information includes certain important information that provides additional information to the users of the financial statements on what other assets and liabilities would have been recognised had an accrual basis of accounting been applied, and is consequently deemed to be of equal importance and an integral part of the financial statements."

Under the modified accrual basis of accounting, the accrual accounting principles are applied. The modified accrual basis of accounting is a step closer to applying full accrual accounting. In other words, events and transactions are disclosed when they occur, and not when there is a flow of cash.

9.1 MCS Chapter 2 Concept and Principles: Qualitative Characteristics and Fair Presentation:

It is essential that preparers of the financial statements also look at the qualitative characteristics of the annual financial statements, including understandability, relevance, reliability and comparability. In the matter of immovable property, specifically because of the user / custodian relationship in the province, the following characteristics has to be considered.

Par. 22 to 29 states that:

Relevance

"Relevant information is information that is decision useful and can therefore influence stewardship by helping users to evaluate past, present or future events, or confirming or correcting their past evaluations.

The relevance of information is established by reference to the nature and the materiality of the information concerned".

Reliability

"Information is reliable when it does not contain material errors and is free from bias. The users of the financial statements should be able to rely on the information as a faithful representation of the transactions, balances and events that it purports to represent. The term "reliability" does not mean "absolute accuracy" but rather refers to information that the users can trust.

Reliable information will:

- reflect the substance rather than the legal form of the transactions or events;
- be neutral in that it should not present information in a manner to achieve a predetermined result; and
- be complete, within the bounds of materiality and cost".

Comparability

"Information should be comparable to enable users to identify trends and to assess performance over time and between similar entities. One of the main reasons for the disclosure of accounting policies in the financial statements is to assist users in comparing the financial statements of different entities".

10. The MCS Chapter 11 Capital Assets (issued May 2018) covers the following principles:

10.1 Par. 13 states that:

"With regards to immovable assets, consideration should also be given to the legislative requirements relating to specific mandates. Reporting in line with the legislative framework is contained in the guidance on immovable assets, referred to as Accounting and Reporting for Immovable Assets (Property)issued in May 2018."

10.2 Par. 91 states that:

"If a new building is constructed, or an existing building on which improvements are carried out by the user, is owned or accounted for by another department, in accordance with its mandate, all the associated costs should be carried in work-in-progress by the department incurring the costs and once the improvements are ready for use, bring the cost to date into its asset register and report on such until final completion of the project. On final completion of the project, when all the contractual liabilities have been fulfilled, the user must update its asset register to ensure all costs are accounted for. The department that incurred the cost, where only the user, shall then transfer the asset at its total cost to the other department which is mandated to manage and report on the asset."

10.3 Par. 92 states that:

"A department that has a project with elements of repairs and maintenance, upgrading and additions to it will have to assess upfront whether the project is significantly a current or a capital project. The project costs will be recorded as part of the capital asset as set out in paragraph .90 where the project is predominantly capital in nature or expensed where not."

10.4 Par. 93 states that:

"A department does not include in the carrying amount of a capital asset the costs of the day-today servicing of the item. Rather, these costs are recognised in surplus or deficit as incurred and in accordance with Chapter 8 on Expenditure. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the capital asset."

11. The AMD Chapter on Capital Assets (issued May 2018), lightbulb states that:

"For detailed guidance on departments that have the responsibility to account for the immovable assets belonging to the state, refer to the Immovable Asset Guide on the Office of the Accountant-General's (OAG's) website." The Immovable Asset Guide takes into account legislation and specific mandates of property holders and guides on the vesting and custodianship of immovable assets." Refer to Accounting and Reporting for Immovable Assets (Property) issued May 2018.

12. The AMD Chapter Capital Assets (issued May 2018), par. 8.2 states that:

"It is important that all contractual obligations are fulfilled to enable the final costing to be done. Where the asset must be transferred to a custodian department, the transferor must update its asset register to agree with the final costing and at that stage initiate the transfer of the asset while complying with the requirements of Section 42 (PFMA).

Where the transfer is not completed by year-end the transferor should keep the asset in its asset register, report thereon and also complete the relevant note to indicate that the transfer is pending. Once the transfer is complete (Section 42 complied with) the asset will be reported on as a transfer and the asset register updated."

13. GUIDANCE AND INTERPRETATION

13.1 Final Completion of projects

It is apparent from paragraph .91 above that the event that gives rise to the recording of a transfer, is final **completion of the project**. To ensure that the qualitative characteristic of comparability is appropriately applied, it is necessary that the custodian department is informed timeously of all final completed projects, which will initiate the transfer to the records of the custodian department. As the budget holder manages the costs and associated payments on a project, the obligation is on the user department to manage and inform the custodian department of all completed projects. This impacts the completeness and accuracy of information, and the user department is best placed to initiate the transfer of assets.

13.2 Presently, there is no timeframe stipulated by when an item must be transferred after completion of a project. To ensure appropriate management of this process, it is necessary for both a user and a custodian department to implement a process that ensures all transactions and events are accounted for the in the correct reporting period. In line with many sections of the PFMA and related regulations, applicable institutions are encouraged to sign transfer certificates within 30 days after the completion date. This is recommended, but is not a mandatory timeframe. It encourages good practices.

13.3 Where final completion of a project occurs at or before 31 March, and the PFMA S42 certificate is signed - off by the receiving AO after 31 March, the project must be disclosed as an adjusting event after reporting date.

Upon final completion, the asset must be de-recognised by the transferring department and recognised and disclosed by the receiving department in the relevant notes in the AFS submitted for audit (31 May).

In this regard, the event that must be accounted for is the final **completion of a project**, which will trigger in whose records it must be reflected. The AMD, in chapter 17, further expands on what are adjusting and non-adjusting **events**.

14. **Dealing with Prior Period Errors**

14.1 At times, an error is only discovered in a subsequent period, i.e. after the financial statements have been published. In such cases the department should correct the error retrospectively, i.e. the relevant prior period(s) should be corrected in the comparative information presented in the financial statements for that subsequent period.

14.2 Therefore, all errors must be corrected in the financial statements of the department, unless it is impracticable to do so. Retrospective adjustment is done either by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest period presented, restating the opening balances of the earliest period's assets, liabilities and net assets.

14.3 Preparers of financial statements may refer to the guidance in chapter 17 of the AMD in their considerations of impracticability of retrospective application.

ACCOUNTING AND DISCLOSURE OF IMMOVABLE ASSETS TRANSFERRED FROM A DEPARTMENT (BUDGET HOLDER OR USER DEPARTMENT) TO THE CUSTODIAN DEPARTMENT

IMMOVABLE ASSETS – WORK-IN-PROGRESS

15. Where assets have been completed and certified as "ready for use", the assets must be maintained in the department's (Budget holder) asset register until "**final completion**" of the project i.e. the retention and any other cost has been settled. The Budget holder department should keep the asset in its asset register, report thereon and complete the relevant note in the AFS to indicate that the transfer is pending.

REQUIREMENT ITO NOTE 41.4

CAPITAL WORK IN PROGRESS AS AT 31 MARCH	*Note*	Opening Balance 1 April 20XX	Current Year WIP	Ready for use (Assets to the AR) / Contracts terminated	Closing Balance 31 March 20YY
	Annexure 7	R'000	R'000	R'000	R'000
Heritage assets		-	-	-	-
Buildings and other fixed structures		-	-	-	-
Machinery and equipment		-	-	-	-
Intangible assets		-	-	-	-
TOTAL		**-**	**-**	**-**	**-**

	Number of projects		20XX/YY
Age analysis on ongoing projects	**Planned, construction not started**	**Planned, construction started**	**Total R'000**
0 to 1 year			-
1 to 3 year(s)			-
3 to 5 years			-
Longer than 5 years			-
Total			**-**

	20XX/YY	20ZZ/YY
Accruals and payables not recognised relating to Capital WIP	**R'000**	**R'000**
[Amounts relating to progress certificates received but not paid at year end and therefore not included in capital work-in-progress]		
Total	**-**	**-**

16. The aforementioned legal requirements, accounting framework and accounting guidelines confirm the above reporting requirements. A flow chart is attached to clarify the process flow of the disclosure of immovable assets transferred upon final completion of a project, and in terms of section 42 of the PFMA (see Annexure A).

17. The following note must be completed for assets to be transferred where the transfer could not take place before financial year-end:

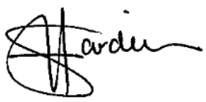
NOTE 41.6 S42 Immovable assets

Assets to be transferred in terms of S42 of the PFMA – 20XX/YY	No of Assets	Value of Assets
		R'000
BUILDINGS AND OTHER FIXED STRUCTURES	-	-
Dwellings		
Non-residential buildings		
Other fixed structures		
HERITAGE ASSETS	-	-
Heritage assets		
LAND AND SUBSOIL ASSETS	-	-
Land		
Mineral and similar non-regenerative resources		
TOTAL	-	-

CONCLUSION

18. In conclusion, in terms of the MCS/AMD, immovable assets must be transferred upon final completion of projects, within a reasonable timeframe.

19. The relevant AFS disclosure note must be compiled in terms of the principles highlighted above.



MR A HARDIEN
PROVINCIAL ACCOUNTANT-GENERAL
DATE: 08 April 2019

ANNEXURE A

PROCESS FLOW DIAGRAM

"Ready for use"

Project has progressed to stage where facility can be occupied by management

Asset still maintained on Asset register of Budget Holder

Final completion of Immovable assets

All contractual obligations under the contract has been fulfilled, including the payment of retention monies, and final costing can be done and project closed.

Where the asset must be transferred to a custodian department, the transferor must update its asset register to agree with the final costing and at that stage initiate the transfer of the asset, while complying with the requirements of Section 42 (PFMA).

Section 42 (PFMA) Transfer of Asset

Both the accounting officer for the transferring department and the accounting officer for the receiving department or other institution must sign the inventory (immovable property (sic)) when the transfer takes place. This concludes the formal transfer.

Transfer take place directly after completion in the same financial year.

The transferred asset must be disclosed in the relevant note of the AFS.