



<i>Umhla</i> Date: <i>Datum</i>	<b>23 MARCH 2018</b>	<i>Ifoni</i> Telephone: <i>Telefoon</i>	<b>040 101 0355</b>
Ireferensi Ref No: Verwysings	<b>CIRCULAR NO. 2 COMPLIANCE TO PFMA SECTION 42 ON TRANSFER OF IMMOVABLE ASSETS FOR THE YEAR ENDING 31 MARCH 2018 AND BEYOND</b>	Ifaxi Facsimile Faksimile:	<b>086 534 6420</b>
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**TO ALL: ACCOUNTING OFFICERS  
ACCOUNTING AUTHORITIES  
CHIEF FINANCIAL OFFICERS  
HEADS: ASSET MANAGEMENT UNITS**

**CIRCULAR NO. 2 OF 2018/19**

**COMPLIANCE TO SECTION 42 OF PUBLIC FINANCE MANAGEMENT ACT NO.1 OF  
1999, (PFMA) ON TRANSFER OF IMMOVABLE ASSETS FOR THE YEAR ENDING 31  
MARCH 2018 AND BEYOND**

**PURPOSE**

1. The purpose of this circular is to outline the provincial requirements and process for immovable assets transfer between and amongst departments in compliance with the Section 42 of the Public Finance Management Act, No.1 of 1999 (amended)[PFMA]. This circular serves to revise and update the communication issued on 27 March 2013 bearing the same subject (see attached as **Annexure A**).

## BACKGROUND

2. Whilst the Department of Public Works (DPW) is the provincial custodian in terms of the Government Immovable Asset Management Act 19 of 2007 (GIAMA), tasked with the responsibility to provide office and service delivery immovable assets to all departments in the province, there are instances where provincial departments get involved in acquiring immovable assets other than through the DRPW. Immovable assets may be acquired through construction activities, either directly by the Client Department, or through Implementing Agents appointed by the Client Department.
3. There is currently uncertainty regarding the minimum documentation which must be submitted as part of the immovable assets transfer process to enable the DPW to record such assets in the immovable asset register of the province consistent with the requirements of the National Treasury.

## LEGISLATIVE FRAMEWORK

4. In terms of section 42 of the PFMA, when assets or liabilities of a department are transferred to another department or 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 of assets to be transferred.

Both accounting officers of the transferring and the receiving department or institution must sign the inventory when the transfer takes place.

## DISCUSSION

5. The DPW is a provincial custodian of immovable assets in terms of the Eastern Cape Land Disposal Act, Act 7 of 2000. In terms of this custodial role, the DPW accounts for all assets deemed as belonging to the Eastern Cape Provincial Government – there is a legal title, the property is registered in the name of the province or vested in terms of Item 28 (i) and Schedule 6 of the Constitution of the Republic of South Africa, 1996.
6. Any expenditure which resulted in an immovable asset since 1 April 2009 (with introduction of Accounting Guide on Immovable Assets), which is transferred in terms of section 42 of PFMA, will only be accepted by the custodian subject to meeting the below stated criteria:

- 6.1 Transferring department or entity must submit before or on 31 January each year full details of expenditure and supporting documentation along with the Transfer Certificate signed by both parties (transferring and receiving accounting officers);
- 6.2 For constructed assets, payment certificates with original or certified copies of payment vouchers must be submitted with the close-out report or the certificate of completion with confirmation that final accounts are paid;
- 6.3 The close-out report must comply with the Standard for Infrastructure Procurement and Delivery Management (SIPDM) section 4.1.11 read in conjunction and section 12(see attached **Annexure B**);
- 6.4 The custodian must have positively identified the existence of assets / improvements/construction project being transferred; and
- 6.5 Capital improvements & / or additions to properties are only transferred at **final** completion.

7. The Auditor General and the Provincial Treasury must be notified within 14 days of such transfer being finalised in terms of section 42 (3) of PFMA.

Work-in-progress (capital expenditure) must be accounted for by the user department until the above conditions have been met.

8. The departmental user asset management plane (U-AMP) must be updated with all movement emanating from section 42 of the PFMA.

## **AUTHORITY**

9. This circular is issued in terms of section 18 (c) of the PFMA, which requires Provincial Treasury to promote transparent and effective management in respect of assets of provincial departments.

## **APPLICABILITY**

10. This Circular is applicable to all provincial departments involved with the acquisition / construction of immovable assets which must be duly transferred to the Department of Roads of Public Works for capitalisation.

## **EFFECTIVE DATE**

11. This Circular is effective for the financial year ending 31 March 2018 and beyond.

## **DISSEMINATION OF INFORMATION**

12. The contents of this Circular should be disseminated to all the officials responsible for procurement of infrastructure and immovable assets across all departments.

Kindly ensure that all relevant officials receive copies of the Circular.

Should there be any enquiries regarding the contents of this Circular please contact:

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*Ikhwezi Lomso greetings: Serving with Honesty, humility and Integrity.*



**MR D. MAJEKE**

**HEAD OF DEPARTMENT**

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