**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 1271 [NW2482E]**

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**1271. Mr W W Wessels (FF Plus) to ask the Minister of Finance:**

(1) Whether the National Treasury has conducted a thorough investigation into the accounting practice of provincial departments on classifying payments, in contravention of the National Treasury Classification Circular 21, to implementing agents for the procurement of assets and/or goods and services as transfers and subsidies; if not, why not; if so, (a) what are the details and (b) has any malicious intent in this regard been identified;

(2) whether the National Treasury will ensure that all assets procured by provincial departments from implementing agents are reclassified as the relevant class of asset and recorded on the asset register of the relevant department; if not, why not; if so, what (a) progress has been made in this regard and (b) measures have been implemented to ensure that the practice of wrongfully classifying the procurement of assets as transfers and subsidies is prevented;

(3) whether he will make a statement on the matter?

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**REPLY**:

The aforementioned Classification Circular was developed in consultation with provincial treasuries, specifically the Provincial Accountants-General (PAGs). Once issued the PAGs took responsibility for the implementation thereof in their respective provinces. Any investigation in to the accounting practices as referred to in (1) above would accordingly fall within the remit of each provincial treasury.

Any challenges identified in the implementation and/or audit are however communicated between the PAGs and the National Treasury, represented by the Office of the Accountant-General (OAG), for discussion and resolution. These discussions focus on the substance of the arrangements and the appropriate classification in the accounting and budgeting processes and systems. The legality of arrangements (suspected and/or confirmed) is dealt with by the accounting officer of the provincial department under the oversight of the provincial treasury.

Assets procured from implementing agents are classified and recorded as such in the provincial department’s financial statements. Non-compliance has and will be identified by the AGSA where the accounting office of the department fails to ensure compliance. To this end, there are regular engagements between the National Treasury, OAG, and the AGSA to ensure the accuracy of the audit findings and recommendations. Any correction of material errors such as correcting the non-disclosure of capital assets acquired from implementing agents are identified separately in the notes to the financial statements.