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Ref PT13/6/2/1

## PROVINCIAL TREASURY CIRCULAR NO. 2 OF 2019

**TO:-**

**ACTING DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA: VOTE 1: (MR K MOHLASEDI)**  
**SECRETARY: PROVINCIAL LEGISLATURE OF MPUMALANGA: VOTE 2: (MR L MWALE)**  
**ACTING HEAD: PROVINCIAL TREASURY: VOTE 3: (MS GUGU MASHITENG)**  
**HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: VOTE 4: (MR P NYONI)**  
**ACTING HEAD: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS: VOTE 5: (MR LS MONARENG)**  
**ACTING HEAD: ECONOMIC DEVELOPMENT AND TOURISM: VOTE 6: (MR NM SEBITSO)**  
**HEAD: EDUCATION: VOTE 7: (MS MOC MHLABANE)**  
**ACTING HEAD: PUBLIC WORKS, ROADS AND TRANSPORT: VOTE 8: (MS SP XULU)**  
**HEAD: COMMUNITY SAFETY, SECURITY AND LIAISON: VOTE 9: (MR W MTHOMBOTHI)**  
**HEAD: HEALTH: VOTE 10: (DR S MOHANGI)**  
**HEAD: CULTURE, SPORT AND RECREATION: VOTE 11: (MR GS NTOMBELA)**  
**HEAD: SOCIAL DEVELOPMENT: VOTE 12: (MR MV MAHLALELA)**  
**HEAD: HUMAN SETTLEMENTS: VOTE 13: (MR K MASANGE)**

**THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR S SHONGWE)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR M MPIKA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY: (MR M KHOZA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 4: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR SEB MATSEBULA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS (MR MA LETSWALO)**  
**THE ACTING CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM (MS H THRUSH)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MS G MASHITENG)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS AND TRANSPORT (MS HN MDAKA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY AND LIASON (MS SA SEFALA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MR PP MAMOGALE)**  
**ACTING THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE, SPORT AND RECREATION (MR M THOBELA)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT: (MS BJ MOJAPELO)**  
**THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS: (MR SB NYOKA)**

**THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT**  
**THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT**  
**THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE**

## 2018/19 YEAR END REPORTING REQUIREMENTS

### 1. LEGISLATION REQUIREMENTS

#### 1.1 REPORTING ON ANNUAL FINANCIAL STATEMENTS

According to the Public Finance Management Act, No. 1 of 1999 (PFMA), Section 40(1)(c), the Accounting Officer for a Department –

“(c) must submit the financial statements within two months after the end of the financial year to:

- (i) the Auditor-General for auditing
- (ii) the relevant treasury to enable that Treasury to prepare Consolidated Financial Statements in terms of Section 8 and 19.”

#### 1.2 SUBMISSION OF ANNUAL REPORT

The PFMA, Section 40(1) (d) requires that the Accounting Officer of a department to submit within five months of the end of a financial year to the relevant treasury-

- (i) an annual report on the activities of the department during that financial year
- (ii) the financial statements for that financial year after those statements have been audited, and
- (iii) the Auditor-General's report on those statements.

#### 1.3 TABLING OF ANNUAL REPORT

According to Section 65(1) of the PFMA the Executive Authority responsible for the Department must table in the Provincial Legislature the annual report, Financial Statements and Audit Report on those statements, within one month after the Accounting Officer of the Department received the audit report.

#### 1.4 REQUEST FOR ROLLOVERS

In terms of Treasury Regulation 6.4.2: “Requests for rollovers must be submitted to the relevant treasury on or before the last working day of April, in a format determined by the National Treasury and must include-

- a) the purpose for which the funds were appropriated;
- b) the reasons why the funds were not spent;
- c) proposed changes to the use of the funds, if any; and;
- d) a disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred.”

Treasury Regulation 6.4.3 states that: “funds for a specific purpose may not be rolled over for more than one financial year, unless approved in advance by the relevant treasury.”

#### 1.4.1 UNSPENT CONDITIONAL GRANTS

In terms of Section 22 of the 2018 Division of Revenue Act (Act No. 2 of 2018), as amended, each vote with conditional grants must submit to Provincial Treasury:

1. Total amount of unspent funds for each relevant conditional grant as at 31 March 2019;
2. The amount of unspent funds for the relevant grant not committed to identifiable projects;
3. The amount of funds currently committed to identifiable projects;
4. Given that Section 22(2) of the Act requires proof of commitments, departments must submit a list of the projects referred to and clearly stipulate the tender details (pricing and numbers) relating to each ongoing project or invoices awaiting payment. Proof of commitments means an order and/or invoice.

Conditional grants requests should be listed separately per conditional grant. The list should clearly state the order number, order date, invoice number (if applicable) and invoice date and the amount requested. The list should be supported by copy of the order and/or invoice (not the batch).

The Departments that have applications for rollovers on conditional grants should submit their requests to Provincial Treasury on the **23 April 2019** without failure.

#### 1.4.2 UNSPENT EQUITABLE SHARE

Departments are required to submit the rollover requests (if there are any funds to be rolled over) and the rollover order lists, which must comprise of supplier name, order number and its date, invoice number its date and amount). These must be accompanied by supporting documents (copies of orders and/or invoices) for approval by the Provincial Treasury **on or before 30 April 2019**.

The Provincial Treasury hereby advises departments to ensure that the following issues are attended to:-

### 2. PREPARATION OF FINANCIAL STATEMENTS

- a) A template to prepare the annual financial statements will be issued to Departments and is also available on the website <http://oag.treasury.gov.za>. This will assist in ensuring that the Financial Statements are properly and timely compiled.
- b) All suspense accounts should be cleared to zero by 31 March 2019 to enable departments to provide complete financial information on expenditure and revenue.
- c) Stock counts and reconciliation of assets between BAS and LOGIS systems must be performed.
- d) The expenditure management report should be scrutinized to ensure that all expenditure is properly allocated to the budget appropriated.
- e) All the supporting documentation for all the transactions, and other important records, should be made available for audit purposes.

Attached is a checklist for other issues to be made available for audit purposes.  
**(Annexure A)**

## PROVINCIAL TREASURY CIRCULAR NO. 2 OF 2019

A work plan is also attached as **Annexure B** to provide guidance of when to complete the annual financial statements.

### 3. AUDIT PROCESS

Departments should ensure that the Audit Steering Committees are established at the beginning of the audit process. The terms of reference and the constitution of the Audit Steering Committee are outlined in **Annexure C**.

### 4. PRELIMINARY CLOSURE DATE OF BOOKS ON BASIC ACCOUNTING SYSTEM (BAS)

The Provincial Treasury has set **19 April 2019** as a preliminary day of closure and that date had been communicated and agreed with National Treasury. All Departments are urged to close their books on or before 19 April 2019 **and failure to do that will result in a Department being forced closed.**

When preliminary closure has been initiated, no journal can be posted to the closed year. The balances are confirmed and signed off by the Chief Financial Officer. **Any changes of the figures thereafter require an approval by both the Provincial Office of the Accountant-General and the Office of the Auditor-General.** The two Offices must agree on the reasonability of the changes before the journals could be effected. Changes in the system should be performed by an official with post journal user identification.

### 5. AUDIT FINAL CLOSURE DATE ON BAS

Final closure of the year is performed after the Auditor-General has issued the final audit report. After audit final closure, no changes can be made to any transactions in the BAS system for the financial year under review. Based on the above all Departments must perform the final audit closure on or before **31 October 2019**.

**Annexure D** is attached as a guide to assist Departments of the issues that must be addressed before the closure of BAS.

### 6. CUT OFF DATES FOR 2018/19 FINANCIAL YEAR

Date	Activity
18 February 2019 to 22 February 2019	Follow up and settlements of all <b>outstanding purchase orders</b> De-commit incomplete purchase orders and clear commitments, which are not going to be paid in Logis and BAS.
25 February 2019 to 15 March 2019	Follow up and settlement of all <b>outstanding invoices</b>
15 March 2019	<b>Last date of creating new orders.</b> No new orders must be created after this date New order created must not go beyond 31 March 2019. Roll over will only be approved (preliminary) around June 2019
18 March 2019 to 25 March 2019	Paying all outstanding and current invoices

## PROVINCIAL TREASURY CIRCULAR NO. 2 OF 2019

Date	Activity
25 March 2019	<b>Last day for payments to be processed</b> for 2018/19 financial year. No payments must be processed after this day.
31 March 2019	Financial year-end
19 April 2019	Preliminary day of closure of books on BAS
23 April 2019	Submission of applications for rollovers on conditional grants to Provincial Treasury
30 April 2019	Submission of applications for rollovers on equitable share to Provincial Treasury
31 May 2019	Submission of AFS and Performance Information to the Office of the Auditor-General
04 June 2019	Submission of pre-audited IYM to Provincial Treasury
31 July 2019	Audit reports issued by Office of the Auditor-General
31 August 2019	Tabling of Annual report to the Provincial Legislature
03 September 2019	Submission of mirror-image of IYM on audited AFS
31 October 2019	Audit Final Closure on BAS

### 7. FIRST SUBMISSION OF PERFORMANCE INFORMATION

The Auditor-General will be engaging in performance audit reviews for the financial year ended 31 March 2019. Departments are therefore required to submit the performance information as well as Annual Financial Statements and Human Resource oversight report, to the Auditor-General by 31 May 2019 to enable the auditors to perform the necessary audit procedures before 31 July 2019.

Your co-operation in this regard is appreciated.

  
**MS. GUGU MASHITENG**  
**ACTING HEAD: PROVINCIAL TREASURY**  
**DATE: 15/02/2019**

## AFS REVIEW CHECKLIST

## 1. Audit file

- 1.1 Copy of budget adjustment
  - 1.2 Trial balance – long and short
  - 1.3 Annual Report 2018/19
  - 1.4 Programme expenditure control reports
  - 1.5 Copies of journals of unauthorised/fruitless expenditure
  - 1.6 Letter to Treasury that report irregular expenditure
  - 1.7 Copy of donation letter
  - 1.8 Copy of commitments report
  - 1.9 Copy of a list of accruals
  - 1.10 Copy of lease agreements
  - 1.11 Copies of debtors confirmation letters
  - 1.12 Copy of leave entitlement
  - 1.13 Copy of thirteenth cheque report
  - 1.14 Copy of performance awards
  - 1.15 Copy of capped leave commitments
  - 1.16 Copy of related party transactions
  - 1.17 Key management personnel record
2. The total balance of the trial balance is zero on actual, adjustment and final columns.
  3. Total amount on the Appropriation statement agrees to Adjustment budget.
  4. Total amount on the Appropriation statement agrees to Performance statements
  5. Appropriation funds are distributed into:
    - 5.1 Annual appropriation
    - 5.2 Statutory appropriation
    - 5.3 Unauthorized expenditure
    - 5.4 Local/foreign aid assistance
  6. Disclosure of donations received
  7. Disclosure of donations made
  8. Disclosure of unauthorized/fruitless expenditure as per the difference in the total of programmes in the appropriation statement
  9. The amount of unauthorized/fruitless expenditure is debited to increase the current assets and credited on add back unauthorized expenditure
  10. Disclosure of irregular expenditure and steps to recover the expenditure
  11. Cash and cash equivalents in the statement of financial position agree to the amount in the cash flow statement
  12. Voted funds to be surrendered agree to total variance in the appropriation statement
  13. Revenue to be surrendered agrees to revenue accrual in the trial balance

ANNEXURE B

YEAR-END REPORTING WORKING PLAN- 2018/19

Activity	Due date	Responsibility	PFMA
Year end	31 Mar 2019	All Departments	
Correction of allocations and clearing of suspense accounts	12 Apr 2019	CFO	TR 17.1
Signing off of trial balance	12 Apr 2019	CFO	
Final trial balance	12 Apr 2019	CFO	
Capturing the prior year figures on the template	17 Apr 2019	CFO	
Preliminary Closure of books -year-end	19 Apr 2019	National Treasury	
Final compilation of the Annual Financial Statements (AFS) in Excel spread sheet	10 May 2019	CFO	
Submission of AFS to Internal Auditors for audit	10-17 May 2019	IA	
Submission of AFS to Financial Governance (FG) for review	13 -24 May 2019	FG	
Compilation of the AFS in word document	23 May 2019	CFO	
Compilation of Performance Information	10 May 2019	Planner	
Review of the AFS and Performance Information by the Chief Financial Officer (CFO)	17 May 2019	CFO	
Review of the AFS and Performance Information by the Head of Department (HOD)	22 May 2019	HOD	
Final corrections on the AFS and Performance Information	24 May 2019	CFO and Planner	
Signing off of AFS	27 May 2019	HOD	
Evaluation of AFS by Audit Committee	28 May 2019	Audit Committee	TR 3.1.13
Submission of the AFS and Performance Information to Auditor-General (AG)	31 May 2019	HOD	Sec 40 (1) (c)
Compilation of the Annual Report (AR)	01 Apr - 12 July 2019	Planner	
Evaluation of Audit report	23 July 2019	Audit Committee	
Review and final approval of AR	26 July 2019	HOD/MEC	
Report of the AG on the departmental AFS	31 July 2019	AG	Sec 40 (2)
Submission of (AR) printers proof to AG	02 Aug 2019	CFO & Communication	
Printing of AR	12 Aug-16 Aug 2019	Communication	
Tabling of the departmental AR's to Legislature	30 Aug 2019	MEC	Sec 65 (1) (a)

## ANNEXURE C

### AUDIT STEERING COMMITTEE

#### TERMS OF REFERENCE

The aim of the Audit Steering Committee is to establish a formal communication channel between the Department and the Office of the Auditor-General, in this way to accomplish a sound co-operation between the parties. Matters that may be discussed during the meetings of the Audit Steering Committee are, *inter alia*;

1. Audit planning for the year in other words which activities will be subjected to an audit and the reasons.
2. Estimated audit costs.
3. The estimated costs of the auditing for the year must be furnished, as the Department must budget for the expenditure;
4. Any deficiencies or irregularities revealed during audits.
5. The Audit Steering Committee gives the parties the opportunity to discuss problems and in this way to prevent any unnecessary written communication, which can be time consuming and costly.
6. Discussion of audit reports, Management letters and queries of a serious nature to obtain unanimity on the contents and to expedite the finalisation thereof.
7. Problems emerging during audits, e.g. availability of records, etc.
8. Create the opportunity for the Department to give inputs in good time.
9. The identification of contact persons for enquiries and mutual communication.

#### CONSTITUTION

In order to ensure the efficient functioning of the Audit Steering Committee, the committee should consist of the following members:

1. Head of the Department
2. Chief Financial Officer
3. Programme Managers
4. Chief Audit Executive
5. Chief Risk Officer
6. Representatives from the Office of the Auditor-General;
7. Secretary - in order to ensure that proper minutes are taken of the meeting and are distributed to all members.



## ANNEXURE D

### The following issues need to be addressed before the closure of BAS on 19 April 2019:

- a) Exceptions must be cleared. All PMG, Telkom, PERSAL and all other Department-specific interface exceptions must be cleared before closing a year.
- b) All manual cheque payments must be into the system.
- c) Statutory and departmental vote fund requisition journals must be captured when requesting funds for the month. When these funds are received, journals must be captured to reconcile the Fund Requisition Account.
- d) The Trial Balance, Matching Reports, Detail Reports and Expenditure Control Reports must be checked for incorrect allocations and any unreconciled balances on suspense accounts. The departmental delegated official must:
  - Request Matching/Detail Reports on all suspense accounts to investigate balances on the Trial Balance.
  - Request expenditure Control Reports and Detailed Reports to investigate incorrect allocations.
- e) All transactions with a status of “unauthorised” must be authorised or cancelled on regular basis.
- f) Ex-gratia payments and theft and losses must be reconciled with the relevant approvals.
- g) All revenue received should be allocated and paid over on a regular basis.
- h) Investment accounts of special funds must be balanced with bank statement accounts and must be reconciled for final statement purposes.
- i) All claims and invoices received and all expenditure incurred on behalf of other departments and institutions must be paid or claimed as soon as possible, but not later than 31<sup>st</sup> March of any financial year.

### Bank Reconciliation

- a) The PMG Account balance must be reconciled with the balance as per the bank statement, on a monthly basis.
- b) Balances on the following must be zero (0) before closing a month. However, should there be a balance on one of these accounts, it must be declared to Provincial Treasury by departments:
  - BAS EBT Control
  - ACB Debit
  - PMG Adjustment
  - TELKOM Control
  - Debt Suspense
- c) Balances on the following accounts must be zero (0) before closing a month:
  - Exception Account
  - Receipt Pending Control
  - Debt Receipt Control
  - Fund Requisition
  - Salary Interface Control
  - Salary Transfer Control

In addition to monthly procedures the following must be performed.

- a) Opening journals depicting the Statutory and Departmental budget as Appropriated must be captured.

- b) A journal to debit the Revenue Accrual Account and credit the respective income items with the amounts not paid over in the previous financial year must be generated and captured.
- c) If the Exchequer Grant Account has a credit balance as at year-end, the amount must be paid over to the Provincial Exchequer Account (Provincial Treasury).
- d) If the Exchequer Grant Account has a debit balance, the amount must be journalised to the Unauthorised Expenditure Account.
- e) Contingency liability on state guarantees must be quantified and verified with the appropriate financial institutions by the end of December each year.
- f) Financial Year End Mappings (after capturing new segments details):
  - The financial year end mappings are required to drive the automatic process that transfers account balances once the closing of the financial year has been authorised (March month of each year is closed). The System Controller must check and verify that the mappings are correct.
  - The mapping is used to debit /credit accounts that need to be cleared at financial year-end. The following accounts needs to be cleared: General Account of the Vote Available, Exchequer Grant, all Income Funds, all Expenditure Funds, General Accounts of Revenue, Revenue Accrual Account, all Trading Expense Funds, all Trading Income Funds and all Revolving Funds.
- g) The net results of the Financial Year-end transactions are that:
  - All expense accounts have a zero (0) balance
  - All income accounts have a zero (0) balance
  - The General Account of the Vote Available item has a zero (0) balance
  - The General Account of the Revenue item has a zero (0) balance
  - A credit balance on the Exchequer Grant Account indicates the amount to be paid over to the Exchequer Account, while a debit balance indicates unauthorised expenditure
  - The balance on the Revenue Accrual Account determines whether a department has paid over all the revenue received during the previous financial period or not. If the account has a debit balance, too much has been paid over and if it has a credit balance, the balance is still to be paid over.
- h) Other notices to be consulted by Departments  
Departments are advised to also follow BAS Notice 1 of 2019 and Logis Financial Year End Procedures action plan as issued by BAS and Logis for further guidance.
- i) FYE March month end down times for Logis
  - Due to the March 2019 month-end run, the LOGIS system will not be available from 20h00 Thursday the 29<sup>TH</sup> of March 2019 till 08h00 on Monday the 8<sup>th</sup> of April 2019
  - Logis Business Information Systems (LBIS) will be available on Monday the 08<sup>th</sup> of April 2019 from 08h00 to enable Departments to draw necessary reports

**Note: Close-off procedures are performed at head office and Departments must contact Provincial Treasury: Interlinked Financial Systems Unit before they close the financial year-end.**