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Department of Finance

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PROVINCIAL TREASURY CIRCULAR 11 OF 2010

**TO: ACCOUNTING OFFICERS OF PROVINCIAL DEPARTMENTS
CHIEF FINANCIAL OFFICERS OF PROVINCIAL DEPARTMENTS**

2009/10 YEAR-END REPORTING REQUIREMENTS

The financial year-end is approaching. According to the Public Finance Management Act 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.”

The Provincial Treasury would thus advice departments to ensure that the following issues are attended to:

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 A.



Preparation of Financial Statements

- A template to prepare the annual financial statements has been issued to the 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.
- All suspense accounts should be cleared to zero by 31 March 2010 to enable departments to provide complete financial information on expenditure and revenue.
- Stock counts and reconciliation of assets between BAS and LOGIS systems must be performed.
- The expenditure management report should be scrutinized to make sure that all expenditure is properly allocated to the budget appropriated.
- 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 B)

A work plan is also attached as Annexure C to provide guidance on when to complete the annual financial statements.

Submission of performance information

The Auditor-General will be engaging in performance audit reviews for the financial year ended 31 March 2010. Departments are therefore required to submit the performance information, which would later be included in the annual report, to the Office of the Auditor-General by 31 May 2010 to enable the auditors to perform the necessary audit procedures before 31 July 2010.

It is crucial that the above issues be prioritised in order to ensure adherence to legislation.

Regards



MR M MAZIBUKO
HEAD OF DEPARTMENT
DATE: 04/03/2010

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 during audit, 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*;

- Audit planning for the year -in other words which activities will be subjected to an audit and the reasons.
- Estimated audit costs.
- The estimated costs of the auditing for the year must be furnished, as the Department must budget for the expenditure;
- Any deficiencies or irregularities revealed during audits.
- 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.
- Discussion of audit reports, Management letters and queries of a serious nature to obtain unanimity on the contents and to expedite the finalisation thereof.
- Problems emerging during audits, e.g. availability of records, etc.
- Create the opportunity for the Department to give inputs in good time.
- 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:

- Head of the Department
- Chief Financial Officer
- Programme Managers/Head of Units
- Head of Internal Audit
- Representatives from the Office of the Auditor-General;
- Secretary - in order to ensure that proper minutes are taken of the meeting and are distributed to all members.

AFS REVIEW CHECKLIST

1. Audit file
 - a. Copy of budget adjustment
 - b. Trial balance - long and short
 - c. Annual Report 2008/09
 - d. Programme expenditure control reports
 - e. Copies of journals of unauthorised/fruitless expenditure
 - f. Letters to Treasury that report irregular expenditure
 - g. Copy of donation letter
 - h. Copy of commitments report
 - i. Copy of a list of accruals
 - j. Copy of lease agreements
 - k. Copies of debtors confirmation letters
 - l. Copy of leave entitlement
 - m. Copy of thirteenth cheque report
 - n. Copy of performance awards
 - o. Copy of capped leave commitments
 - p. Copy of related party transactions
 - q. 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 is distributed into:
 - a. Annual appropriation
 - b. Statutory appropriation
 - c. Departmental Revenue
 - d. Local/foreign aid assistance
6. Disclosure of donations received
7. Disclosure of donations made
8. Disclosure of irregular /fruitless expenditure as per the difference in the total of programmes in the appropriation statement

9. The amount of unauthorized is debited to increase the current assets and credited by reducing the available vote(exchequer grant account)
10. Disclosure of irregular and fruitless expenditure and steps to recover the expenditure
11. Cash and cash equivalents in the statement of financial position agree to cash and cash equivalent at end of period in the cash flow statement.
12. Voted funds to be surrendered in the statement of performance must agree to total variance in the appropriation statement
13. Departmental revenue to be surrendered to revenue fund must agrees to revenue accrual in the trial balance

ANNEXURE C

YEAR-END REPORTING WORKING PLAN - 2010

Activity	Due date	Responsibility	PFMA
Year end	31 Mar 2010	All Departments	
Correction of allocations and clearing of suspense accounts	15 Apr 2010		TR 17.1
Signing off of trial balance	16 Apr 2010	CFO	
Final trial balance	21 Apr 2010		
Capturing the prior year figures on the template	19 Apr 2010		
Provincial closure for year end	22 Apr 2010	FG	
Force closure for year end	30 Apr 2010	NT	
Final compilation of the Annual Financial Statements (AFS) in Excel spread sheet	14 May 2010		
Submission of AFS to Financial Governance (FG) for review	17 - 20 May 2010	FG	
Compilation of the AFS in word document	19 May 2010		
Compilation of Performance Information	14 May 2010	Planner	
Review of the AFS and Performance Information by the Chief Financial Officer (CFO)	21 May 2010	CFO	
Review of the AFS and Performance Information by the Head of Department (HOD)	24 May 2010	HOD	
Final corrections on the AFS and Performance Information	25 May 2010		
Signing off of AFS by HOD	27 May 2010	HOD	
Evaluation of AFS by Audit Committee	25 May- 30 July 2010	Audit Committee	TR 3.1.13
Submission of the AFS and Performance Information to Auditor-General (AG)	31 May 2010	HOD	sec 40 (1) (c)
Compilation of the Annual Report (AR)	01 Apr - 16 July 2010	Planner	
Review and final approval of AR	30 July 2010	HOD/MEC	
Report of the AG on the departmental AFS	30 July 2010	AG	sec 40 (2)
Submission of (AR) printers proof to AG	06 Aug 2010	CFO & Communication	
Printing of AR	16 Aug-20 Aug 2010	Communication	
Tabling of the departmental AR's to Legislature	31 Aug 2010	MEC	sec 65 (1) (a)