

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance

Office of the Head of Department

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Departement van Finansies

Kgoro ya Matlotlo

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PROVINCIAL TREASURY CIRCULAR 5(a) OF 2012

TO:

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR LB TSHABALALA)
THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MR JB MBATHA)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (DR DV DLAMINI)
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)
THE ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR ST SIBUYI)
THE ACTING ACCOUNTING OFFICER: VOTE 10: HEALTH (MR R MNISI)
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJWARA)
THE ACTING ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENT (MR D DUBE)

THE ACTING CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR T NKONJOANA)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MS P SEMENYA)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)
THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MR S MASEKO)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR C. MNISI)
THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR SS SHONGWE)
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI)
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN)
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENT (MS B MOJAPELO)



MPUMALANGA
A Pioneering Spirit

2011/12 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 like to advice departments to ensure that the following issues are attended to:

YEAR-END CLOSURE PROCEDURES

Year-end closure (**Annexure A**) has been attached to assist Departments on period closure, preliminary closure and audit final closure.

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 B**.

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 2012 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 C)

A work plan is also attached as **Annexure D** to provide guidance of 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 2012. 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 2012 to enable the auditors to perform the necessary audit procedures before 31 July 2012.

SUBMISSION OF ANNUAL REPORT

The PFMA sec 40(1) (d) requires that the Accounting Officer for 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.

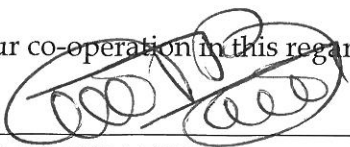
TABLING OF ANNUAL REPORT

- 1) The executive authority responsible for a department must table in the provincial legislature-
 - (a) the annual report, financial statements and audit report on those statements, within one month after the accounting officer of the department receive the audit report.

It is crucial that the above issues be taken in a very serious manner, to ensure adherence to legislation.

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.

Your co-operation in this regard will be appreciated.



MR JB MBATHA
ACTING HEAD OF DEPARTMENT
DATE: 5/3/2012

YEAR END WORKING PLAN - 2011/12

1. Budget

Check if the total budget of your department balances with the Adjustment budget.

Check the opening journals

Remember to adjust the MEC's salary on the budget in accordance with their salary adjustment.

2. Ledger Accounts

All accounts that should have a zero balance at year-end, they must be cleared on time.

- Bank adjustment account must only contain erroneous transactions.

3. Exchequer Grant Account

If the exchequer account has a credit balance at year end, the amount must be paid over to Provincial Exchequer Account (Treasury)

If the exchequer account has a debit balance at year end, the amount must be journalized to the unauthorized expenditure account.

NB. Remember to advise Provincial Treasury to transfer all the money that due to your department at year-end.

4. Payments

Departments must adhere to the cut off dates set by Provincial Treasury to avoid that transactions being posted in the new financial year.

5. Commitments

Prepare monthly recon between BAS and LOGIS.

Delete commitments that are not going to be honored.

6. Accruals

All invoices received and not yet paid and services rendered to the department should be recorded as accruals.

NB. Department should implement a system that will assist them to identify all services rendered but no invoice issued or payment made as this might be a problem at year-end.

7. Contingent liabilities

Housing loan guarantees must be updated and reconciled. (Report no.7.11.15 must be requested at year end)

Claims against department must be reconciled

8. Employee benefits

Leave entitlement (Report no 7.11.13 must be requested at year end)

Capped leave commitments

Thirteenth cheque (Report no 7.11.14 must be requested at year end)

Performance awards (Report no 7.6.12 must be requested at year end)

9. Key Management Personnel

MEC, CD etc. (level 14 to 16)

10. Lease commitments

Operating lease: List your leases according to their categories.

11. Inter entity transactions

Confirmed balances with other departments by obtaining letters of confirmation.

12. Gifts, donations and sponsorships received must be disclosed

13. If there's any irregular, unauthorized, fruitless and wasteful expenditure disclose it

14. Make sure that all issues raised by Auditor-General in 2011/12 audit report are resolved.

15. Asset Management

Reconciliation and updated asset register

ANNEXURE B

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*;

- 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 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.

ANNEXURE C

AFS REVIEW CHECKLIST

1. Audit file
 - a. Copy of budget adjustment
 - b. Trial balance – long and short
 - c. Annual Report 2011/12
 - d. Programme expenditure control reports
 - e. Copies of journals of unauthorised/fruitless expenditure
 - f. Letter 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. Unauthorized expenditure
 - d. 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 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