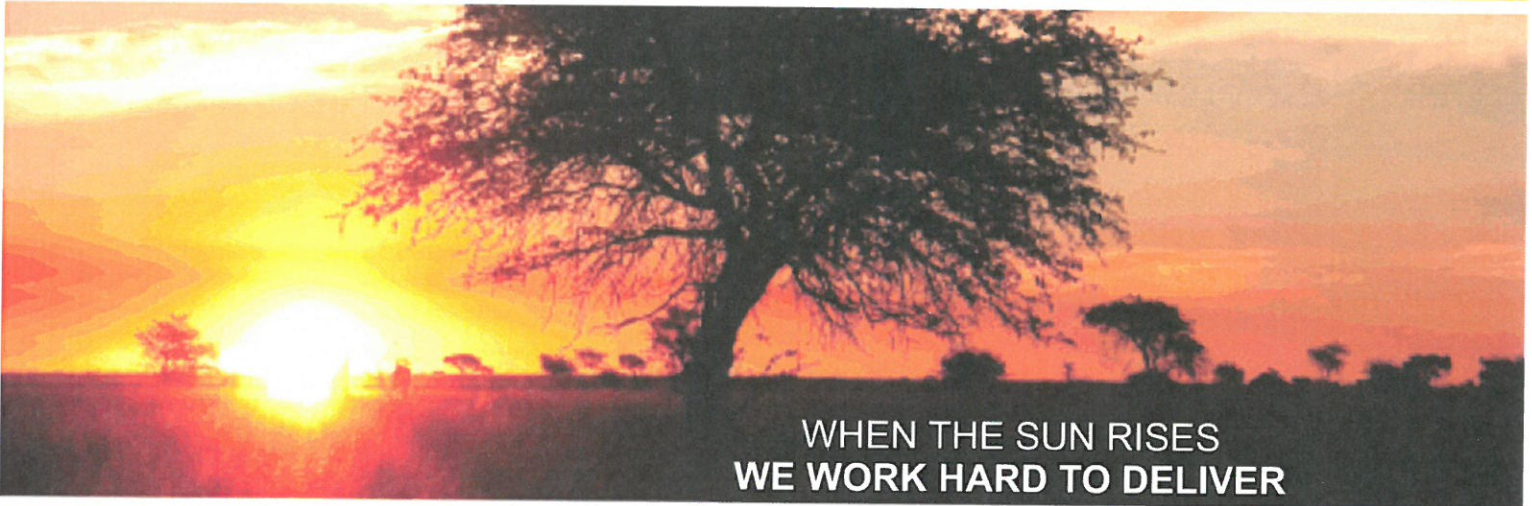




provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

GUIDELINE TO COMPILE ANNUAL AND INTERIM FINANCIAL STATEMENTS



WHEN THE SUN RISES
WE WORK HARD TO DELIVER



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1 Abbreviations and Definitions

“Act” means Municipal Finance Management Act, No. 56 of 2003

“Accounting Officer (AO)” means the municipal manager in terms of section 60 of the Act

“Chief Financial Officer (CFO)” means a person designated in terms of section 80(2)(a) of the Act

“Financial Statements (FS)” refer to Interim (Half-yearly) Financial Statements (IFS) and Annual Financial Statements (AFS)

“Generally Recognized Accounting Practice (GRAP)” means the accounting standards that are used by municipalities to report

“Province” means the Mpumalanga Province

“Provincial Treasury” means a treasury established in terms of section 17 of the Public Finance Management Act, No. 1 of 1999

2 Purpose

The purpose of the system is to:

- Improve audit outcomes by 2014 as part of operation clean audit
- Provide an overview of the procedures for the compilation of Financial Statements to municipalities in the Province
- Provide guidance to AO and CFO on the compiling and submission of FS based on GRAP
- Introduce and put Interim Financial Statements into effect

3 Background

The introduction of IFS is aimed at improving the integrity and the quality of financial information reported in financial statements. The IFS will assist municipalities with the early detection of any problems that are likely to affect the preparation of the financial statements at year end.

4 Interim Financial Statements (IFS)

Financial statements to be compiled on bi-annual basis in preparation of year-end product with effect from the 2010/11 financial year.

4.1 Purpose of IFS

The purpose of IFS is to:

- Improve audit outcomes and could be regarded as part of the system of internal controls
- Detect, trace and address issues that could be of challenge with regard to Annual Financial Statements (AFS) before year-end

5 Scope of application

To be implemented by all Municipalities within the Province

6 Legislative framework

The Municipalities' operations are governed by a collection of different acts and this manual should be understood within that context.

The following Acts and prescripts are central in defining municipal boundaries and areas of influence:

- Municipal Finance Management Act, No. 56 of 2003
- National Treasury guidelines and prescripts

7 Principles

- FS must be prepared in accordance with **GRAP**.
- FS must be prepared by all **municipalities** in the Province.
- Effective systems of internal controls must be in place.

8 Process

The FS should be prepared by the Municipalities and submitted to the Municipal Internal Audit Unit, Provincial Treasury and in the case of AFS, also the Auditor-General.

The Internal Auditors should audit the IFS and submit an audit report to the Provincial Treasury.

The Municipal Internal Audit Unit is also expected to review AFS before they are submitted to the Auditor-General for auditing.

9 Planning

The processes will be amended where necessary to be in line with any new developments and to ensure that financial statements are submitted in terms of this Guideline.

The year-end circular shall be circulated and communicated two (2) months before year end to all Municipalities in the Province addressing year-end issues.

Submission dates:

IFS - 31 January to Provincial Treasury and Internal Auditors.
AFS - As prescribed by the MFMA.

10 Preparation

A consultation process must take place to ensure that all municipalities are updated on developments regarding the FS. The following actions must be taken by municipalities:

- Clearing of suspense accounts and correcting of misallocations
- Stock counts and reconciliation of assets, VAT, creditors, debtors and bank accounts
- Requesting of trial balance
- Periodic closure of books to be adhere to


- Populating of trial balance to the FS template
- Adjust accounting policies accordingly
- Completing of disclosure notes

11 Analysing of audit report

The Provincial Treasury will analyze all the audit reports received from municipalities and set up a meeting/ issue reports to the Municipal Managers and the Chief Financial Officers to address issues raised by Internal Auditors.

The Municipal Internal Audit Unit and Provincial Treasury must monitor and ensure that recommendations that were made are implemented.

Approved:


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HEAD OFFICIAL
DATE: 13/10/2015