

**PROVINSIALE TESOURIE • PROVINCIAL TREASURY •
UNONDYEBO WEPHONDO**



Verwysing
Reference
Isalathiso

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Navrae
Enquiries
Imibuzo

H Du Toit

TREASURY CIRCULAR NO. 44/2009

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM
THE MINISTER OF HEALTH
THE MINISTER OF HOUSING
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

For information

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER) (ACTING)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS C LINGELA) (ACTING)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KG HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA)
THE ACCOUNTING OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MR DP DANIELS) (ACTING)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR R ELLIS) (ACTING)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR J FOURIE) (ACTING)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR B ROBERTS)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS) (ACTING)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR P O'BRIEN) (ACTING)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS A SMIT)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE) (ACTING)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS PG PIEDT)
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR H DU TOIT) (ACTING)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS N OLIPHANT)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: INTERNAL AUDIT: GOVERNANCE AND ADMINISTRATION CLUSTER (MS B CAIRNCROSS)
THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER (MR M MALULEKA)
THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MR PP PIENAAR) (ACTING)
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR L HARTLE) (ACTING)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR G PAULSE)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS A PICK) (PRO TEM)
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE MINISTRY (MS J DAVIDS)

THE PROVINCIAL AUDITOR
MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

2008/09 ANNUAL FINANCIAL STATEMENTS AUDIT ISSUES (URGENT ATTENTION)

PURPOSE

1. To inform Accounting Officers (AOs) and Chief Financial Officers (CFOs) of the correct treatment of the following issues identified by the Auditor-General during the 2008/09 audit process.

BACKGROUND

2. Section 40(1)(c)(i) of the Public Finance Management Act, Act 1 of 2009 (PFMA) requires the accounting officer for a department to submit the financial statements within two months after the end of the financial year to the Auditor-General for auditing.
3. Furthermore sections 40(2) of the PFMA states that the Auditor-General must audit the financial statements mentioned in paragraph 2 and submit an audit report to these statements to the accounting officer within two months of the receipt of the statements.
4. During the two month audit period the Auditor-General identifies audit (COMAF's) issues and allows the Department to respond to these COMAF's. Audit issues of a transversal nature that affect all departments would be addressed via a Treasury Circular.

AUDIT ISSUES

5. The following to be addressed by the relevant departments as per discussions with the Auditor-General South Africa (AGSA):

Movable Assets Note: Incorrect disclosure

6. The AGSA identified cases where assets acquired during prior financial years were not included in the asset register which was incorrectly included under "current year additions" as "non cash items". This issue was also discussed and brought to the attention of departments at the AFS Post Mortem Workshop held on 15 July 2009.

Required:

- 6.1 Disclosure of corrections of this nature must be reflected as "corrections to the prior year". The asset register must be corrected in the following financial year to align the opening balance.

Occupation Specific Dispensation (OSD) Over/Under Payments

7. The Provincial Department of Health and the Provincial Accountants-General were consulted on accounting for Occupation Specific Dispensation (OSD) overpayments and underpayments. Following this discussion it was agreed that OSD overpayments meet the definition of a contingent asset. A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Underpayments must be disclosed as contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department.

Required

- 7.1 It is recommended that the OSD over/under payments should be disclosed in the annual financial statements (AFS) as indicated below.

The disclosure note should address the following:

- The amount of the overpayment for 2007/08. This amount must be that determined by AGSA or, if the AGSA amount is not available that determined by the department;
- The amount of the overpayment for 2008/09;
- The amount recovered from overpaid employees as at 31 March 2009;
- The amount recovered then repaid to overpaid employees as at 31 March 2009 and;
- A paragraph explaining what gave rise to the OSD overpayments, progress thus far and the how the department intends or is required to handle the OSD overpayments.

Contingent Liability Disclosure Note

The contingent liability emanating from the underpayment must be disclosed under disclosure note 28 per the Template for 2008/09, line item "Other". Details of the contingent liability must be shown in Annexure 3B.

Accounting Officer's Report

The AOs Report should, as a minimum, address the following:

- The background to the OSD, which also captures the uncertainty that exists on whether the overpayments can actually be recovered as a result of the pending court case/s or underpayments to be paid;
- The process that was followed by the department to implement the OSD;

- The department's engagement with the AGSA and the process followed by the department to either confirm or negate the AGSA findings;
- Reference to the disclosure note/s and whether or not the amount is still under review and is yet to be confirmed.

Local Government and Housing: Disclosure of Housing Grant Debtors (based on SIU investigation)

8. In terms of a COMAF issued by AGSA, it was found that the total amount in respect of debtors being identified/followed up by the SIU concerning overpayments and/or illegal payments made by the Department of Local Government and Housing relating to housing subsidies, were not recognized as receivables in the financial statements of the Department at 31 March 2009.

Required:

- 8.1 At a meeting with the AGSA on 16 July 2009 the following disclosure was agreed to:
- Provide information of the Housing grant debtors as reported by the SIU in the Accounting Officer's report and as part of the disclosure note "Receivables for departmental revenue" (only as narrative with no monetary amount disclosed).

Accrual Disclosure

9. At a meeting with the AGSA on 16 July 2009 it was agreed with the PAG that a cut-off date for accruals cannot be provided and that all invoices and payments relating to the previous financial year but not only paid or to be paid in the following financial year should be included up to the date the AGSA Report is issued.

Required

- 9.1 That the AFS disclosure note to be adjusted accordingly

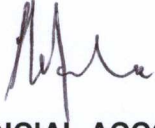
Errata to the Accounting Policies for the year ended 31 March 2009

10. The attached "Errata to the Accounting Policies for the year ended 31 March 2009" (Annexure A) was distributed to all CFOs on 20 July 2009 and reflects amendments to some of the accounting policies for disclosure in the 2008/09 AFS.

Required

- 10.1 That these amended accounting policies must be included in the published 2008/09 AFS of departments.

11. AOs and their CFOs of the applicable departments are required to disclose these issues in the AFS as indicated above.



PROVINCIAL ACCOUNTANT-GENERAL

DATE: 24/07/2029

Errata to the Accounting Policies for the year ended 31 March 2009

These amended accounting policies must be included in the published AFS of the department

Receivables

The accounting policy previously stated:

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost.

The last sentence of the accounting policy is subject to various interpretations. As a result, the accounting policy is revised to read as follows:

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost plus any accrued interest.

Lease commitments

The accounting policy previously stated:

Lease commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexures and disclosure notes to the financial statements.”

The accounting policy is subject to various interpretations. As a result, the accounting policy for lease commitments is revised to read as follows:

Lease commitments**Finance leases**

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and the interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

Operating leases

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statements."