

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



Verwysing
Reference
Isalathiso

T 7/2/1

Navrae
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Imibuzo

HJ du Toit

TREASURY CIRCULAR NO. /2010 26

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT
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
THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

For information

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)
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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 A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

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ANNUAL FINANCIAL STATEMENT ISSUES 2009/10: CLARITY PROVIDED

Purpose

1. To provide Accounting Officers and Chief Financial Officers with additional guidelines pertaining to the compilation and finalization of annual financial statements for the 2009/10 financial year.

Background

2. Departments compile the 2009/10 AFS in terms of the Departmental Financial Reporting Framework Guide issued in terms of the PFMA by the National Treasury: Office of the Accountant General in November 2009.

Additional guidance issued by National Treasury: Office of the Accountant-General

3. The following additional guidance that supplements the Departmental Financial Reporting Framework has been issued and is available on the NT OAG website:
 - LOGIS User Workshop Presentation
 - SARB Exchange Rates as at 31 March 2010
 - Inventory checklist
 - Immovable Assets Sector Specific guidance
 - Immovable Asset Checklist
 - Housing Sector Specific Guidance
 - Frequently Asked Questions (Chapter 11)

The following represents AFS issues that were communicated or identified during the AFS compilation process to provide further clarity:

4. Cash and Cash equivalents and Bank overdrafts: Interpretation and disclosure of balances

The Provincial Treasury has analysed the guidance provided in the Departmental Financial Reporting Framework, Chapter 6, paragraph 14 and established that guidance is unclear on the disclosure of disbursements as part of Cash and Cash equivalents.

The prescribed accounting policy on cash and cash equivalents contained in the 2009/10 Word template reads as follows:

“Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.”

Cash and Cash equivalents in Chapter 6 of the Departmental Financial Reporting Framework Guide as prescribed includes:

- The Paymaster general (PMG) account that could **either** reflect a debit balance or credit balance at year end. If the PMG is a debit balance it should be included in the Statement of Financial Position as Cash and Cash equivalents and reflected in the respective note 15. If the PMG is a credit balance, it should be included in the Statement of Financial Position under current liabilities as a bank overdraft and reflected in the respective note 24.
- A reconciliation of the bank statement balance and ledger account is performed at year end, whereby outstanding deposits and payments should be reconciled (in the event that the ledger account does not agree to the bank statement balance).
- Cash equivalents will generally also include short term deposits, deposits at call and other highly liquid investments and disclosed as assets in the statement of financial position.

Upon further enquiries NT OAG confirmed that the balance of disbursements account will have to be netted off against the paymaster general account and the net balance must be disclosed as cash and cash equivalents (debit balance) or bank overdraft (credit). The following examples illustrate the disclosure requirements:

Scenario 1

Department X		
Paymaster general account	R3 456 700	a
Disbursements	(R1 900 300)	b
Short term investments	R3 800 989	c

Disclosed in the AFS (Statement of Financial position) as follows:

Cash and cash equivalents	R5 357 389	(a+b+c)
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Scenario 2

Department Y		
Paymaster general account	R 50 000	a
Disbursements	(R600 000)	b
Short term investments	R859 000	c

Disclosed in the AFS (Statement of Financial position) as follows:

Cash and cash equivalents	R859 000	(c)
Bank overdraft	(R550 000)	(a+b)

Scenario 3

Department Z		
Paymaster general account	(R 258 000)	a
Disbursements	(R600 000)	b
Short term investments	R859 000	c

Disclosed in the AFS (Statement of Financial position) as follows:

Cash and cash equivalents	R859 000	(c)
Bank overdraft	(R858 000)	(a+b)

The accounting policy for cash and cash equivalents in the current year is consistent with prior year, however has not been consistently applied by departments in the 2008/09 financial year. The relevant 2008/09 AFS information will have to be assessed and restated if it is not in line with the above analysis.

Events after reporting date

5. The implications and effect of the corporatisation of the support functions wef 1 April 2010 as approved by Cabinet needs to be disclosed as a non-adjusting event in par 12 of the AO report and note 41 of the AFS for 2009/10 (see Chapter 8 of the Departmental Financial Reporting Framework, page 73). The estimate of the financial effect of the subsequent non-adjusting events or a statement that such an estimate cannot be made must be disclosed in note 41. This should include estimates of the financial implications relating to the assets and liabilities and revenue and expenditure budgets transferred/received or to be transferred/receivable in 2010/11 up to the reporting date.

Disclosure Note: Employee Benefits - Disclosure of negative leave balances

6. It has been confirmed by the NT OAG that since there is no other separate note to leave entitlement, the credit balances should be subtracted from value of positive outstanding leave, and an additional description of the leave with credit balances should be included separately under the employee benefit disclosure note as per the Departmental Financial Reporting Framework Guide.

EXAMPLE

Employee benefits

	<i>Note</i>	2009/10 R'000	2008/09 R'000
Leave entitlement		1,122	1,041
Service bonus (Thirteenth cheque)		1,725	1,441
Performance awards		1,008	678
Capped leave commitments		867	844
Total		<u>4,722</u>	<u>4,004</u>

Note: Included in the leave entitlement is a credit amount of R211.000 in respect of future leave taken

Accounting Policy

7. The first paragraph of the Accounting Policy as contained in the Word template needs to be amended to refer to the Division of Revenue Act, Act 12 of 2009.

Note 27: Net cash flow available from operating activities

8. A specific line has been included for the 'own revenue budget' and should be completed. An explanatory note is not required on this amendment.

Annexures 1A to 1H – 2008/09

9. The actual expenditure amounts should be provided in this column and the heading should be amended accordingly in the Word document.

Restatements

10. All restatements of comparative amounts relating to 2008/09 should be explained by including an explanation of the reason of such restatement.

Required

11. CFOs are requested to check that the abovementioned issues have been addressed in their final set of financial statements before submission to the AGSA on 31 May 2010.

Appreciation

12. The Provincial Treasury wishes to thank all official involved for providing feedback, comments and inputs during the challenging period of compiling AFS and appreciation is herewith conveyed.



PROVINCIAL ACCOUNTANT-GENERAL

DATE:

31/05/2010