



Reference: T7/2/1

TREASURY CIRCULAR NO. 14/2015

THE PREMIER

THE MINISTER OF AGRICULTURE, ECONOMIC DEVELOPMENT AND TOURISM
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
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

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
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: HUMAN SETTLEMENTS (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)
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 ABRAHAM)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN) (ACTING)
THE HEAD: PUBLIC POLICY SERVICES (MS M KORSTEN)
THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: ASSET MANAGEMENT (MR IG SMITH)
THE HEAD: FINANCIAL GOVERNANCE (MR A HARDIEN)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)
THE SENIOR MANAGER: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)

THE SENIOR MANAGER: FINANCIAL GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: FISCAL POLICY (MR H MALILA) (PRO TEM)
THE SENIOR MANAGER: INFRASTRUCTURE (MR P CHANDAKA)
THE SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING (MS M FORTUIN) (ACTING)
THE SENIOR MANAGER: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)
THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR E JOHANNES) (ACTING)
THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR S MAYEKISO) (ACTING)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN) (PRO TEM)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
THE SENIOR MANAGER: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE PROVINCIAL AUDITOR
MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

DEPARTMENTAL FINANCIAL REPORTING FRAMEWORK

PURPOSE

1. To inform Accounting Officers and Chief Financial Officers of the Departmental Financial Reporting Framework applicable to departments and any other entity that is required by National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.

BACKGROUND

2. The National Treasury: Office of the Accountant-General issued Treasury Instruction No. 6 of 2014/15 to prescribe the Financial Reporting Framework applicable to departments and any other entity compiling their financial statements based on the modified cash basis of accounting (see attached).

REQUIRED

3. Accounting Officers are requested to note the content of the National Treasury Instruction 6 of 2014/15 and disseminate it as requested in paragraph 8.2 of the said Instruction.


DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING AND COMPLIANCE

DATE: 10/04/2015



national treasury

Department
National Treasury
REPUBLIC OF SOUTH AFRICA

**TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS
HEAD OFFICIALS OF PROVINCIAL TREASURIES
PROVINCIAL ACCOUNTANTS-GENERAL**

NATIONAL TREASURY INSTRUCTION NO. 6 OF 2014/2015

DEPARTMENTAL FINANCIAL REPORTING FRAMEWORK

1. PURPOSE

- 1.1 The purpose of this *Treasury Instruction* is to prescribe the Financial Reporting Framework applicable to departments and any other entity that is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.

2. BACKGROUND

- 2.1 Section 40(1) (b) of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), requires the accounting officer of a department to "*prepare financial statements for each financial year in accordance with generally recognised accounting practice*"¹.
- 2.2 Considering that the Standards of Generally Recognised Accounting Practice (GRAP) are not yet applicable to departments, the National Treasury prescribed the financial reporting framework in paragraph 18.2 of the Treasury Regulations, which constitutes GRAP for departments.
- 2.3 Paragraph 18.2 of the Treasury Regulations requires departments to prepare their financial statements on a modified cash basis in accordance with formats prescribed by the National Treasury.

3. FINANCIAL REPORTING FRAMEWORK

- 3.1 When developing the financial reporting framework referred to in paragraph 2.2 above, the National Treasury considered the pronouncements issued by:
- (a) the Accounting Standards Board (ASB);
 - (b) other standard setters; and
 - (c) other organisations that develop financial accounting, reporting and auditing requirements for the public sector.
- 3.2 The National Treasury also considered the following principles and disclosures when developing the financial reporting requirements:

¹ "Generally Recognised Accounting Practice" means an accounting practice complying in material respects with the standards issued by the Accounting Standards Board (ASB).

- (a) local and international best practices;
- (b) the capacity of departments to comply with the reporting requirements; and
- (c) the systems used by departments in preparing and collating the information required to comply with the reporting requirements.

4. MODIFIED CASH STANDARD

- 4.1 The efforts referred to in paragraph 3 culminated in the development of the Modified Cash Standard (MCS) which sets out the principles for the recognition, recording, measurement, presentation and disclosure of information required for preparing the annual financial statements. This MCS is the financial reporting framework for all departments and any other entity that is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.
- 4.2 Departments and any other entity that is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting must fully adhere with the requirements contained in the MCS in order to achieve fair presentation and compliance with the PFMA.
- 4.3 This MCS is available under 'Publications' on the website of the National Treasury's Office of the Accountant-General.

5. APPLICABILITY

This *Treasury Instruction* applies to all departments and any other entity that is required by the National Treasury or by law to comply with the MCS.

6. EFFECTIVE DATE

This *Treasury Instruction* takes effect from 1 April 2014 for the preparation of the 2014/2015 annual financial statements and for the preparation of annual financial statements for all subsequent financial years.

7. NOTIFICATION TO THE AUDITOR-GENERAL

The Auditor-General will be notified of the contents of this *Treasury Instruction*.

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 8.1 Head officials of provincial treasuries are requested to bring the contents of this *Treasury Instruction* to the attention of all accounting officers of departments in their respective provinces.
- 8.2 Accounting officers of national and provincial departments must bring the contents of this *Treasury Instruction* to the attention of:
 - (a) chief financial officers in their respective departments; and
 - (b) if applicable, to the head of any other entity reporting to the executive authority of the department, if that entity is required by the National Treasury or by law to compile their financial statements based on the modified cash basis of accounting.

9. AUTHORITY FOR THIS INSTRUCTION

This *Treasury Instruction* is issued in terms of section 76(4)(g) of the PFMA, read in conjunction with section 40(1) (b) of the PFMA.

10. CONTACT INFORMATION

Enquiries related to this *Treasury Instruction* may be directed to:

Kakanyo Mosikare

Director: Accounting Policies, Frameworks and Guides

Phone: 012 395 6539

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MICHAEL SASS
ACCOUNTANT-GENERAL

DATE: 26 MARCH 2015