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Reference: RCS/C.6

TREASURY CIRCULAR NO. 03/2019

THE PREMIER
THE MINISTER OF ECONOMIC OPPORTUNITIES
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
THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

For information

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV. B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)
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 (MR BK SCHREUDER)
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 (MR G PAULSE)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)
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 (ADV. C SMITH)
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 CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)
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THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)
THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (VACANT)
THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (VACANT)
THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)

THE CHIEF FINANCIAL OFFICER (MS A SMIT)
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THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)
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THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR M BOOYSEN)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (VACANT)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS RH SLINGER)
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THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)
THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS R JULIE) (ACTING)
THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

MONTH-END CLOSURE PROCEDURES FOR 2019/20, TO MEET THE REPORTING REQUIREMENTS IN TERMS OF SECTION 32 READ WITH SECTION 40(4)(C) OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999

PURPOSE

1. The purpose of this circular is to retract and replace Treasury Circular No. 17 of 2018 in its entirety and to inform Accounting Officers (AOs) and Chief Financial Officers (CFOs) of departments of their revised month-end closure procedures to meet the reporting requirements in terms of sections 40 and 41 of the Public Finance Management Act (Act 1 of 1999) as prescribed in National Treasury Instruction No. 02 of 2018/19.

LEGISLATIVE BACKGROUND

2. Chapter 5 of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) prescribes the responsibilities of AOs in respect of financial reporting. In terms of section 41 an AO must submit to the Provincial Treasury such information, returns, documents, explanations and motivations as may be prescribed.

2.1 To ensure the completeness and accuracy of the information supplied to the Provincial Treasury in terms of section 40(4)(b) and (c), all AOs must certify on a monthly basis that they have complied with the financial performance indicators below, and submit it to the Provincial Treasury within **15 days** of each month following on the reporting month.

MONTHLY REPORTING REQUIREMENTS

3. **Compliance Certification**

3.1 To ensure uniformity in respect of such certification, a pro forma covering letter has been included for use by departments. The covering letter must be completed and signed by the AO and submitted monthly to the Provincial Treasury **(see Annexure A).**

3.2 **Performance indicators**

3.2.1 Section 40(1)(a) requires AOs to keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards. To ensure the completeness and accuracy of the information supplied in terms of section 40(4)(c), CFOs must certify on a monthly basis, compliance to the minimum financial performance indicators **(see Annexure B).**

3.2.2 **Annexure B** contains the minimum financial management performance indicators to be complied with that would assist in the completion of **Annexure A.**

3.2.3 If a department is unable to comply with any of the minimum prescribed performance indicators of **Annexure B**, the AO/CFO must report the non-compliance and reasons to Provincial Treasury. This report should include action plans with timeframes to address the non-compliance with the performance indicators reflected in **Annexure B**.

3.2.4 Failure to comply with this Circular could be construed as financial misconduct in terms of Treasury Regulations 4.

3.3 **Monthly Book Closure** (**see Annexure C**)

TABLE: BAS MONTH-END CLOSURE DATES FOR THE 2019/20 FINANCIAL YEAR

ACCOUNTING MONTH	CLOSURE DATES
MARCH 2019 – reporting to Vulindlela	2019/04/08 (no month/year close transaction)
MARCH 2019 – PRELIMINARY	2019/04/30
APRIL 2019	2019/05/08
MAY 2019	2019/06/07
JUNE 2019	2019/07/08
JULY 2019	2019/08/08
AUGUST 2019	2019/09/06
SEPTEMBER 2019	2019/10/03
OCTOBER 2019	2019/11/08
NOVEMBER 2019	2019/12/06
DECEMBER 2019	2020/01/08
JANUARY 2020	2020/02/07
FEBRUARY 2020	2020/03/06
MARCH 2020- Reporting to Vulindlela	2020/04/08 (no month/year close transaction)
MARCH 2020 – PRELIMINARY	2020/04/30

3.3.1 Departments are to align their departmental processes to ensure that month-end closure can occur timeously on or before these dates. National Treasury will force-close any general ledgers that are still open by the closing dates.

3.3.2 Departments should reflect the actual date of month-end closure in the above table and if forced-close, to please indicate the reasons for such forced-closure.

3.3.3 CFOs or delegated officials are to ensure that the above due dates are complied with.

3.3.4 The above actions (3.3.1 - 3.3.3) are to be certified per ***Annexure B (performance indicator: 2.1)***.

3.4 **Monthly exceptions/adjustments/interfaces/reconciliations**

3.4.1 CFOs or delegated officials must ensure that bank reconciliations are performed on a daily basis to detect unauthorised entries [TR 15.10.1.2 (j)].

3.4.2 Departments must immediately report all unknown or erroneous items arising from banking interfaces to Provincial Treasury.

3.4.3 The chief financial officer must provide the accounting officer with a written explanation for all **unreconciled** transactions that are outstanding for **more than 30 days**. This explanation must be provided to the accounting officer **within 10 days** after the end of the month. By signing reconciliations the CFO or the delegated official confirms concurrence and approval thereof.

3.4.4 The chief financial officer must review all bank reconciliations for the reporting month and approve the bank reconiciliations by appending his or her signature thereto which shall confirm his or her concurrence and approval thereof.

3.4.5 It is a requirement that the CFO or the delegated official should indicate that all interfaces with BAS have taken place and are reconciled. To this end **Annexure D** must be completed and submitted with your monthly IYM input.

3.4.6 Monthly reconciliations must be submitted in terms of the following Treasury Circulars:

- BAS/LOGIS Reconciliation in terms of Treasury Circular 39/2007
- BAS/LOGIS Reconciliation on Major Assets in terms of Treasury Circular 39/2007 (Supplementary 1 of 2008)
- BAS/PERSAL Reconciliation in terms of Treasury Circular 23/2008
- BAS/LOGIS Reconciliation on Minor Assets in terms of Treasury Circular 36/2008
- BAS/PMG Reconciliation

3.5 **Managing of Payables and Receivables**

3.5.1 Performance indicator number 4.1 - 4.4 (**Annexure B**) requires that the CFO or the delegated official should indicate that inter-departmental balances and debts have been recorded, reconciled and paid within a prescribed or agreed time/ period.

3.5.2 To enhance reporting and to avoid year-end disputes between Western Cape provincial departments, as well as to facilitate the consolidation of annual financial statements at provincial level on inter-departmental claims, **Annexure E** (inter-departmental receivables) and **Annexure F** (inter-departmental payables) should be completed and submitted with your monthly IYM. The final report for March is compulsory.

3.6 **Amounts in disallowance/control and suspense accounts**

3.6.1 Compliance with paragraph 17.1 of Chapter 17 of the National Treasury Regulations must also be certified in terms of the following:

3.6.1.1 That all the transactions of an institution are supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.

3.6.1.2 That in all exceptional cases, where it is necessary to account for revenue and expenditure transactions in a disallowance/control/suspense accounts because the classification has not been resolved, that the CFO has ensured that the requirements of **Annexure B** (see paragraph 3.6.1.5 below) regarding items in control/disallowance/suspense accounts have been complied with.

3.6.1.3 Submit, on a monthly basis, an analysis of balances in disallowance/control and suspense accounts older than 90 days in the template provided in **Annexure G.** It is recommended that steps taken to clear amounts older than 90 days, be indicated in an attached report.

3.6.1.4 Accounting officers, as part of their monthly IYM reporting, certify that the forecast/projections for the remainder of the year adequately makes provision for all amounts not yet cleared from disallowance/control/ suspense accounts that may form a possible charge against the Vote.

3.6.1.5 The above actions (3.6.1.1 - 3.6.1.3) are to be certified per **Annexure B (performance indicators: 5.1 - 5.6)**.

3.7 **Reporting on Irregular, Fruitless and Wasteful and Unauthorised Expenditure**

3.7.1 The Loss Control System has been upgraded to facilitate the recording of Irregular, Fruitless and Wasteful and Unauthorised expenditure.

3.7.2 All cases of irregular, fruitless and wasteful and unauthorised expenditure must be timeously recorded on the Loss Control System and reported monthly to Provincial Treasury in terms of 38(1)(g) and (h) of the PFMA.

3.7.3 **Annexure H, I and J** have been revised to include full reporting of Irregular and Fruitless and Wasteful expenditure in terms of opening balances, new cases, condoned expenditure and expenditure transferred to receivables for recovery, as well as the closing balance.

3.7.4 Monthly reporting in terms of 38(1)(g) and (h) of the PFMA, on Irregular, Fruitless and Wasteful and Unauthorised Expenditure as provided in **Annexure H, H1 and H2, I, I1, I2 and J** must be signed by the CFO or delegated official.

3.8 **Expenditure management**

3.8.1 Finance lease expenditure has been classified and split as required by **performance indicators: 6.3.1 – 6.3.3 of Annexure B.**

REQUIRED

4. AOs and CFOs to take cognisance of the following:

4.1 That, the content of this Circular is effective from **1 April 2019.**

4.2 That monthly IYM reporting signed by the AO/CFO must be submitted to the Provincial Treasury: Accounting Services in a PDF (scanned) format by no later than the **15th of each month** following on the reporting month.

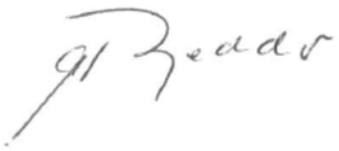
4.3 CFOs are to utilise the electronic version of the amended IYM certificates, which will be advanced to them via e-mail.

4.4 Departments may use the option of submitting the signed IYM report in PDF format electronically via email. A hard copy must be kept on file for audit and enquiry purposes.

5. Any further enquiries in this regard may be directed to:

5.1 Shaun Manuel (021) 483 6600 Shaun.Manuel@westerncape.gov.za

5.2 Henri du Toit (021) 483 3023 Henri.DuToit@westerncape.gov.za



MR A REDDY
DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING AND COMPLIANCE
DATE: *08/02/2019*