

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance

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PROVINCIAL TREASURY CIRCULAR 16 OF 2010

TO:

THE PREMIER MPUMALANGA PROVINCE (MR DD MABUZA)

THE SPEAKER PROVINCIAL LEGISLATURE (MR SW LUBISI)

THE MEC FOR FINANCE (MS YN PHOSA)

THE MEC FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MN MOKOENA)

THE MEC FOR AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MR MT MALINGA)

THE MEC FOR ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MR JL MAHLANGU)

THE MEC FOR EDUCATION (MS MR MHAULE)

THE MEC FOR PUBLIC WORKS, ROADS & TRANSPORT (DR RC MKASI)

THE MEC FOR SAFETY, SECURITY & LIAISON (MS SMN MANANA)

THE MEC FOR HEALTH AND SOCIAL DEVELOPMENT (MS DG MAHLANGU)

THE MEC FOR CULTURE SPORTS AND RECREATION (MR VR SHONGWE)

THE MEC FOR HUMAN SETTLEMENT (MR MB MASUKU)

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)

THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR RM MOROPA)

THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MR M MAZIBUKO)

THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)

THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION
(MS NL SITHOLE)

THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM
(MR RS TSHUKUDU)

THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)

THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)

THE ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR IN KHOZA)

THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR JJ MAHLANGU)

THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJWARA)

THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)

THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENT (MR D DUBE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MS P NGWENYA)

THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)

THE CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MR JS MASHABANE) - ACTING

THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
(MR MD SHIPALANA)



THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS B LAURENCE)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSHWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR CB MNISI)
THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MS PN MOJAPELO)
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI) - ACTING
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN- ACTING)
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENT (MR CT DLAMINI)

PAYMENT OF SUPPLIERS OVER A PERIOD OF 30 DAYS BY DEPARTMENTS AND PUBLIC ENTITIES

The Public Finance Management Act (PFMA), No 1 of 1999 provides a financial management framework that is comparable to the world's best and requires the highest level of discipline in the management of public funds. In terms of section 18(2)(a)(e) of the PFMA, the Provincial Treasury must monitor and assess the implementation of the Act, and any other prescripts, in Provincial Departments.

It should be emphasized that the Head of a Department, as Accounting Officer, is ultimately accountable for the effective and efficient management of a Department.

In terms of Section 38(1)(a) of the PFMA , an Accounting Officer must ensure that the Department maintains effective, efficient and transparent systems of financial and risk management and internal control.

The Auditor-General's reports continuously expose financial management weaknesses in many institutions of Government, which implies that they are failing to meet the standards set out in the PFMA and other legislation. Whilst audit reports focus on root causes and audit opinions, departments, municipalities, and public entities are experiencing difficulties in paying suppliers for goods and services rendered within the period of 30 days after the receipt of an invoice.

Payments exceeding 30 days and accruals are contributing to cost overruns, delays in spending patterns and disputes, due to ineffective management of invoices, especially towards the end of the financial year. This impacts adversely on the administration and management of departments, in terms of budgeting correctly and managing the budget for the entire financial year. It further affects the emerging suppliers since most of them borrow money from financial institutions to render services to the public institutions.

In monitoring the payments over the period of 30 days, the Provincial Treasury has identified that Departments do not have effective systems in place for the processing of receiving invoices until the final payment, and/or suppliers do not submit invoices in time to departments, municipalities and public entities to process and make payments.

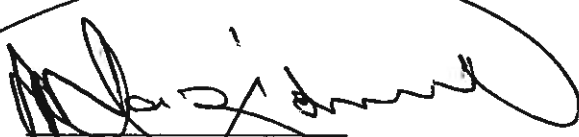
Payment of suppliers should at least be treated as follows:

1. Departments must establish an **INVOICES RECEIVED REGISTER** as a matter of urgency. This Register should be utilized as from 1 July 2010 by all Departments to register and make follow up on all invoices received until final payment is done. An example is attached as Annexure A.
2. Departments must also establish or utilize an **INVOICES PAYMENT SYSTEM** to track down all invoices received and paid or not paid within the specified period. An example is attached as Annexure B.
3. The **INVOICES RECEIVED REGISTER** and the **INVOICES PAYMENT SYSTEM** should be reconciled and signed off by responsible officials on at least a monthly basis.
4. Any deficiencies arising from the reconciliation should be included in the monthly management report and be submitted to relevant authorities (Chief Financial Officer and the Head of Department) for monitoring.
5. Departments should develop clear and proper job descriptions and performance agreements setting out Key Performance Areas and Outputs expected from officials responsible for payments.

The attached examples of the documents could be utilized by Departments to establish the relevant procedures and could be obtained from Mr W Ngoma at extension 4569 or e-mail: WNgoma@mpg.gov.za.

It will be appreciated if the content of this Circular could be distributed to the relevant role-players in your Departments and implemented as a matter of urgency.

Regards



MR. M. MAZIBUKO
HEAD OF DEPARTMENT
DATE: 18/05/2010

