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PROVINCIAL TREASURY CIRCULAR 1 OF 2009

TO: ACCOUNTING OFFICERS OF PROVINCIAL DEPARTMENTS

TO: CHIEF FINANCIAL OFFICERS OF PROVINCIAL DEPARTMENTS

MONTH/YEAR-END CLOSURE PROCEDURES

Period Closure

The objective of this functional area is to provide the processing that is required to close the financial accounts at year-end and month end. At month-end the balances of various accounts need to be closed off and the information stored.

At year-end, the suspense account balances are transferred to the new financial year as opening balances. The revenue accounts for the current year are closed and the remainder transferred to the new financial year. All expenditure is cleared for the year by an automatic transaction performed by the Basic Accounting System (BAS). All suspense account balances that are not cleared are transferred to the new financial year as opening balances.

At year-end, 31 March, the Departmental delegated official will initiate the year-end procedure on the BAS system.

From 01 April to 30 April each year, departments are given the chance to process corrections on the BAS system through journals. All journals should have 31 March as the posting date. Any journal beyond this date will not reduce or increase the ledger account concerned.



The system will only post the journals to the relevant financial year as the posting date is captured. Any payment or receipt at that period will not reduce or increase the ledger account concerned.

Preliminary Closure Date

This is the date the year is preliminary closed. Provincial System Controllers agree on a preliminary day of closure with the National Treasury. The date can be any date after the 15th of April. When preliminary closure has been initiated, no journal can be posted to the closed year. The balances are confirmed and signed off by the Chief Financial Officer. If there are opened transactions that are not yet authorised, the bookkeeping section needs to clear them by either deleting or removing function.

Annual Financial Statements are then prepared and submitted to the Office of the Auditor-General by 31 May. Any changes of the figures thereafter require an approval by both the Provincial Office of the Accountant-General and the Office of the Auditor-General. The two Offices must agree on the reasonability of the changes before the journals could be affected. Changes in the system should be performed by an official with post journal user identification.

Audit Final Closure Date

This is the date the year is finally closed. Final closure of the year is performed after the Auditor-General has issued the final audit report. After audit final closure, no changes can be made to any transactions in the BAS system for the financial year under review.

General

- Exceptions must be cleared. All PMG, Telkom, PERSAL and all other Department-specific interface exceptions must be cleared before closing a year
- All manual cheque payments must be into the System
- Statutory and departmental vote fund requisition journals must be captured when requesting funds for the month. When these funds are received, journals must be captured to reconcile the Fund Requisition Account
- The Trial Balance, Matching Reports, Detail Reports and Expenditure Control Reports must be checked for incorrect allocations and any un-reconciled balances on suspense accounts. The departmental delegated official must:
 - Request Matching / Detail Reports on all suspense accounts to investigate balances on Trial Balance
 - Request expenditure Control Reports and Detail Reports to investigate incorrect allocations
- All transactions with a status of "unauthorised" must be authorised or cancelled on a regular basis

- Ex-gratia payments and thefts and losses must be reconciled with the relevant approvals
- All revenue incurred should be allocated and paid over on a regular basis
- Investment accounts of special funds must be balanced with bank statements accounts must be reconciled for final statement purposes
- All claims and invoices received and all expenditure incurred on behalf of other departments and institutions must be paid or claimed as soon as possible, but not later than 31 March of any financial year.

Bank Reconciliation

- i) The PMG Account balance must reconcile with the bank balance, as per the bank statement, on a monthly basis.
- ii) Balances on the following accounts must be zero (0) before closing a month. However, should there be a balance on one of these accounts, it must be declared to Provincial Treasury by departments:
 - BAS EBT Control
 - ACB Debit
 - PMG Adjustment
 - TELKOM Control
 - Debt Suspense
- iii) Balances on the following accounts must be zero (0) before closing a month:
 - Exception Account
 - Receipt Pending Control
 - Debt Receipt Control
 - Fund Requisition
 - Salary Interface Control
 - Salary Transfer Control


In addition to monthly procedures the following must be performed.

- i) Opening journals depicting the Statutory and Departmental budget as Appropriated must be captured
- ii) A journal to debit the Revenue Accrual Account and credit the respective income items with the amounts not paid over in the previous financial year must be generated and captured

- iii) If the Exchequer Grant Account has a credit balance as at year-end, the amount must be paid over to the Provincial Exchequer Account (Treasury).
- iv) If the Exchequer Grant Account has a debit balance, the amount must be journalised to the Unauthorised Expenditure Account.
- v) The Unauthorised Expenditure Bill must be processed and submitted to the Provincial Legislature for approval before the end of December each year.
- vi) Contingency liability on state guarantees must be quantified and verified with the appropriate financial institutions by the end of December each year.
- vii) Financial Year End Mappings (after capturing new segment details):
 - The financial year-end mappings are required to drive the automatic process that transfers account balances once the closing of the financial year has been authorized (March month of each year is closed). The System Controller must check and verify that the mappings are correct.
 - The mapping is used to debit/credit accounts that need to be cleared at financial year-end. The following accounts need to be cleared: General Account of the Vote Available, Exchequer Grant, all Income Funds, all Expenditure Funds, General Account of Revenue, Revenue Accrual Account, all Trading Expense Funds, all Trading Income Funds and all Revolving Funds.
- viii) The net results of the Financial Year-end transactions are that:
 - All expense accounts have a zero (0) balance
 - All income accounts have a zero (0) balance
 - The General Account of the Vote Available item has a zero (0) balance
 - The General Account of the Revenue item has a zero (0) balance
 - A credit balance on the Exchequer Grant Account indicates the amount to be paid over to the Exchequer Account, while a debit balance indicates unauthorised expenditure
 - The balance on the Revenue Accrual Account determines whether a department has paid over all the revenue received during the previous financial period or not. If the account has a debit balance - too much has been paid over and if it has a credit balance, the balance is still to be paid over.

Note: Close-off procedures are performed at head office

Your co-operation in this regard will be appreciated.



MRS TSHUKUDU
HEAD OF DEPARTMENT
DATE: 09/02/2009.