

# MPUMALANGA PROVINCIAL GOVERNMENT

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## Department of Finance

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Departement van Finansies

Kgoro ya Matlotlo

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### PROVINCIAL TREASURY CIRCULAR NO 20 OF 2010

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 CONVENER: OPERATION CLEAN AUDIT PROVINCIAL COMMITTEE (MR B STRAUSS)

THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MR C MAKOLA)  
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR AJ ANGELBREGHT)  
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR FJ FOCHE)  
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MR O NKOSI)  
THE MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MS M MATHIBELA)  
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MR S WEBER)  
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR MA NGCOBO)  
THE MUNICIPAL MANAGER: ALBERT LUTHULI LOCAL MUNICIPALITY (MR VN MPILA)  
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR DV NGCOBO)  
THE MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR PB MALEBYE)  
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (DR LH MATHUNYANE)  
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (MR H MBATHA)  
THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY (MS N MTHEMBU)  
THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR C LISA)  
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR M R MKHATSHWA)  
THE MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY (MS SF MNISI)  
THE ACTING MUNICIPAL MANAGER: PIXLEY KA SEME LOCAL MUNICIPALITY (MR K MPUNGOSE)

THE ADMINISTRATOR: THABA CHWEU LOCAL MUNICIPALITY MR T MOKALE )  
THE ADMINISTRATOR: THEMBISILE HANI LOCAL MUNICIPALITY (MR T TAALE )  
THE ADMINISTRATOR: MKHONDO LOCAL MUNICIPALITY (MR K MPUNGOSE )  
THE ADMINISTRATOR: LEKWA LOCAL MUNICIPALITY (MR J SINDANE )



## **2009/10 YEAR END REPORTING REQUIREMENTS**

The financial year-end is approaching. According to the Municipal Finance Management Act of 2003 (MFMA) Section 126 (1) (a), the Accounting Officer for a municipality -

“(a) must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relates, submit the statements to the Auditor-General for auditing.”

The Provincial Treasury would thus like to advise municipalities to ensure that the following issues are attended to:

### **AUDIT PROCESS**

Municipalities should ensure that the Audit Steering Committees are established at the beginning of the audit process. The terms of reference and the constitution of the Audit Steering Committee are outlined in **Annexure A**.

### **PREPARATION OF FINANCIAL STATEMENTS**

- All suspense accounts should be cleared to zero by 30 June 2010 to enable municipalities to provide complete financial information on expenditure and revenue.
- Stock counts and reconciliation of assets, VAT, creditors, debtors and bank accounts must be performed.
- The expenditure management report should be scrutinized to make sure that all expenditure is properly allocated to the budget appropriated.
- All the supporting documentation for all the transactions, and other important records, should be made available for audit purposes.

Attached is a checklist for other issues to be made available for audit purposes (**Annexure B**).

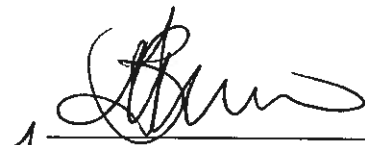
A work plan is also attached as **Annexure C** to provide guidance of when to complete the annual financial statements.

## SUBMISSION OF PERFORMANCE INFORMATION

The Auditor-General will be engaging in performance audit reviews for the financial year ended 30 June 2010. Municipalities are therefore required to submit the performance information, which would later be included in the annual report, to the Office of the Auditor-General by 30 June 2010 to enable the auditors to perform the necessary audit procedures before 31 August 2010.

It is crucial that the above issues be taken in a very serious manner, to ensure adherence to legislation.

Regards



**MR M MAZIBUKO**  
**HEAD OF DEPARTMENT**  
DATE: 23/06/2010

## ANNEXURE A

### AUDIT STEERING COMMITTEE

#### TERMS OF REFERENCE

The aim of the Audit Steering Committee is to establish a formal communication channel between the Municipality and the Office of the Auditor-General, in this way to accomplish a sound co-operation between the parties. Matters that may be discussed during the meetings of the Audit Steering Committee are, *inter alia*;

- Audit planning for the year -in other words which activities will be subjected to an audit and the reasons.
- Estimated audit costs.
- The estimated costs of the auditing for the year must be furnished, as the Municipality must budget for the expenditure;
- Any deficiencies or irregularities revealed during audits.
- The Audit Steering Committee gives the parties the opportunity to discuss problems and in this way to prevent any unnecessary written communication, which can be time consuming and costly.
- Discussion of audit reports, Management letters and queries of a serious nature to obtain unanimity on the contents and to expedite the finalisation thereof.
- Problems emerging during audits, e.g. availability of records, etc.
- Create the opportunity for the Municipality to give inputs in good time.
- The identification of contact persons for enquiries and mutual communication.

## CONSTITUTION

In order to ensure the efficient functioning of the Audit Steering Committee, the committee should consist of the following members:

- Municipal Manager
- Chief Financial Officer
- Head of Internal Audit
- Representatives from the Office of the Auditor-General;
- Secretariat - in order to ensure that proper minutes are taken of the meeting and are distributed to all members.

## ANNEXURE C

### SUGGESTED YEAR-END REPORTING WORK PLAN - 2010

Activity	Due date	Responsibility	MFMA
Annual Financial Statement			
Year end	30 Jun 2010	All Municipalities	
Correction of allocations and clearing of suspense accounts	14 July 2010	Bookkeeping	
Final trial balance and signing off	20 July 2010	Finance Officials	
Capturing the prior and current year figures on the template	13 Aug 2010	Finance Officials	
Review of the AFS and Performance Information by the Chief Financial Officer (CFO)	18 Aug 2010	CFO	
Evaluation of AFS by Audit Committee	25 Aug 2010	Audit Committee	
Signing off of AFS	30 Aug 2010	CFO/MM	
Submission of the AFS to Auditor-General (AG)	31 Aug 2010	MM	sec126(1)(a)
Performance Information			
Compilation of Performance Information	30 Jul 2010	Planner	
Review of Performance Information by the CFO	06 Aug 2010	MM	
Final corrections on the Performance Information	13 Aug 2010	Planner	
Evaluation of Performance Information by Audit Committee	25 Aug 2010	Audit Committee	
Submission of Performance Information to AG	31 Aug 2010	MM	
Annual Report (AR)			
Draft Consolidated of AR	19 Nov 2010	Planner	
Final AR	03 Dec 2010	Planner	
Review and final approval of AR	10 Dec 2010	MM	
Submission of AR printers proof to AG	14 Jan 2010	CFO & Communication	
Printing of AR	27 Jan 2010	Planner & Communication	
Tabling of the municipalities AR's to Municipal Council	31 Jan 2011	MAYOR	sec127(2)