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NORTHERN CAPE PROVINCIAL TREASURY

Office of the Provincial Accountant General (PAG) – Municipal Accounting Services

Role of Municipal Accounting Services

**Presenter
Mr. H Salome**



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Outline

1. Guidelines
2. Office of the Accountant-General (NT)
3. Municipal Accounting Services
4. Key functions
5. Overview & Strategic objective of the mSCOA Regulation
6. Provincial Treasury – Roles and responsibilities



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Guidelines

- MFMA
- Treasury Regulations
- National/Provincial Circulars
- Accounting Standards
- Cabinet/EXCO Resolutions



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Office of the Accountant-General

OAG consist of the following units:

- Internal Audit Support
- Risk Management Support
- **Technical Support Services**
- Specialised Audit Services
- Governance Monitoring and Compliance
- **Capacity Building**
- **Accounting Support and Reporting**
- MFMA Implementation



Office of the Accountant-General (Contd.)

- **Technical Support Services**

Development of accounting policies and guideline requirements for the public sector.

Review and comment on exposure drafts developed by the ASB and the International Federation of Accountants Public Sector Committee and liaises with the ASB and the Auditor General regarding accounting standards and policies.

- **Capacity Building**

Provide sound and transparent financial management capacity building support across Government

Implement the Draft Capacity Development Strategy.



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Office of the Accountant-General (Contd.)

- **Accounting Support and Reporting**

Responsible for assistance with the implementation of the GRAP standards, the accounting policies, the reporting frameworks and other accounting guidelines as well assisting with resolution of specific problems for all the departments, local government institutions, public entities and constitutional institutions.

Provide support to all the clients in relation to all accounting related matters, the resolution of audit outcomes



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Municipal Accounting Services

Strategic Objective:

To provide support on accounting practices that will promote financial reporting to a level 3 financial management capability maturity model (FMCMM)

Objective statement

To provide ongoing technical support on accounting practices to municipalities.

Aim

To ensure the effective implementation of accounting practices in line with generally recognised accounting practice (GRAP) and applicable legislation.



Municipal Accounting Services (Contd.)

Structure

Director: Accounting Services
(PFMA & MFMA)

Deputy Director: Municipal
Accounting Services
30 Municipalities

Assistant Director: X 5
6 Municipalities each



Key Functions

MAS interaction with OAG

- Analyze and input on new accounting reforms on continuous basis
- Coordinate local governments' comments on new accounting reforms

MAS interaction with Local Government

- Roll out new accounting reforms and policies for implementation; provide training on reforms and provide support during AFS preparation
- Provide guidance on the compilation of audit action plans, analyze audit action plans received and provide recommendations on how to address issues.



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Key Functions

- Provide technical support on the implementation of GRAP and other applicable accounting practices to municipalities. i.e. during audit
- Monitor compliance with the requirements of month-end procedures – Monitoring Tool
- Support and monitor the implementation of municipal standard chart of accounts (mSCOA) in all delegated municipalities in the Province.



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Office of the Provincial Accountant General (PAG) – Municipal Accounting Services

Annual Financial Statements, Audit File and AFS Preparation Plan

Presenter
Mr. M Matthee



Outline

1. Introduction
2. Background
3. Legislation
4. Submissions – 2015/2016
5. AFS Preparation Plans
6. Key Submission Dates
7. Review of AFS
8. Contents of Audit File
9. Audit Process
10. Disagreements
11. Questions



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1. INTRODUCTION

This presentation serves to highlight certain related sections as prescribed by the Municipal Finance Management Act (MFMA) in terms of submission of credible AFS and to provide a overview on the status of submissions in the province.

2. Background

- ✓ The MFMA prescribes that annual financial statements and annual reports for the previous financial year must be completed and submitted to various stakeholders within legislative timeframes on a yearly basis.
- ✓ The MFMA tasks Provincial Treasury with the responsibility of monitoring, evaluating and providing assistance and support to municipalities in respect of compliance with the MFMA thereby promoting the objective of the Act.

3. LEGISLATION

The following sections of the MFMA states the requirements for the preparation and submission of annual financial statements:

- ✓ Section 122(1) (a) & (b) — Every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position at the end of the financial year, and disclose the information required in terms of sections 123, 124 and 125.
- ✓ Section 122(3) - The annual financial statements must be prepared in accordance with Generally Recognised Accounting Practice (GRAP).
- ✓ Section 126 (1) states that the accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

3. LEGISLATION

- ✓ Section 133 (1) states that if the accounting officer of the municipality fails to submit the financial statements by 31 August to the Auditor-General:
 - The Mayor must promptly table in the council a written explanation setting out the reasons for the failure,
 - The municipal council must request the speaker or any other councilor to investigate the reasons for the failure and report to the council, take appropriate steps to ensure that the financial statements are submitted to the Auditor-General, and may order that disciplinary steps be taken against the accounting officer or other person responsible for the failure.

3. LEGISLATION

- ✓ Section 166 (2) (b) states that an audit committee is an independent advisory body which must review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.
- ✓ MFMA Circular No: 50 Preparation of the Municipal Audit File states that Municipalities must prepare and maintain an adequate municipal audit file in order to facilitate and manage an efficient and organised audit process. The municipal audit file should be checked, verified for completeness and accuracy prior to the commencement of the audit. The municipality should ensure that all information contained in the municipal audit file supports the figures in the trail balance and annual financial statements.

4. SUBMISSIONS - 2015/16

The following is the status of the AFS submissions in the province for the 2015/16 financial year:

✓ **Submitted on Time**

- 25 Municipalities

✓ **Submitted Late**

- 4 Municipalities – Dikgatlong, Tsantsabane, Phokwane & Magareng Municipality

✓ **AFS Outstanding**

- 1 Municipality - Renosterberg Municipality



5. AFS Preparation Plan

- ✓ The municipality must prepare a plan that contains various activities with deadlines for each contributor of financial information towards compilation of the AFS.
- ✓ The plan should be used to manage the process and monitor progress during the compilation of the financial statements to ensure timely submission of the AFS.
- ✓ The plan should make provision for the following:
 - ❖ Description of the task to be under taken;
 - ❖ Start Date and end Date;
 - ❖ Responsible person;
 - ❖ Current status/Progress made;
 - ❖ Challenges/constraints if applicable; and or
- ✓ The annual financial statements preparation plans and progress reports should be signed off by the Accounting officer when submitting to Provincial Treasury.

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6. KEY SUBMISSION DATES

SUBMISSION	DUE DATE	RESPONSIBILITY
a) A copy of the AFS preparation plan to Provincial Treasury (Accounting Services)	19-Jun-17	Accounting Officer
b) 1 st Progress Report on AFS Preparation Plan to Provincial Treasury (Accounting Services).	31-Jul-17	Chief Financial Officer
c) Draft annual financial statements submitted to the Provincial Treasury (Accounting Services).	11-Aug-17	Chief Financial Officer
d) Annual Financial Statements to the Provincial Treasury and Office of the Auditor General	31-Aug-17	Accounting Officer

The required documents should be submitted via e-mail to the responsible official or **municipalsubmissions.ncpt@gmail.com**.



7. REVIEW OF AFS

- ✓ Review by the preparer of the AFS to ensure full compliance to the Standards of GRAP and prescribed disclosures;
- ✓ Review by the CFO and MM of the draft and final AFS;
- ✓ Independent quality review should be performed by the internal audit unit and Audit Committee before submission to AGSA; (ensure that the AFS are ready by end of July 2017 and submitted the Audit Committee to allow feedback for corrections to be made before final submission by 31 August 2017)
- ✓ This affords the audit committee an opportunity to advise the municipality on any other matters needing attention, prior to the external audit commencing, to address any shortcomings that the audit committee may have picked up in the review and have them corrected before the annual financial statements are submitted for Audit.



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7. REVIEW OF AFS

Communicate all the scheduled dates for the review of the AFS by:

- ✓ Internal Audit
- ✓ Audit Committee

Due Date: 31 July 2017

Mr. S. Ruiters (Senior Manager: Risk Management)

Email: SRuiters@ncpg.gov.za

Telephone: (053) 802 5011



7. Contents of the audit file

- ✓ The 2016/17 Financial Statements and other supporting documentation;
- ✓ Copy of the Trial Balance that reflects the balances as at 30 June 2017.
 - All adjustments journals not reflected in the Trial Balance should be noted separately;
- ✓ The Asset Register that clearly indicates the opening balances, assets written-off, date of purchase and disposal.
 - Should contain adequate detail to trace the asset from the register to the physical asset, its value, detailed description of the assets
 - All assets in the register must reconcile to the Annual Financial Statements.



7. Contents of the audit file

- ✓ Both an electronic and hard copy of the General Ledger, Cash Book, Adjustment Journals as at 30 June to the Auditor-General.
 - any other information that would be required by the Auditor-General.
- ✓ An evaluation of the 2016/17 Integrated Development Plan;
- ✓ The 2016/17 medium term budget;
- ✓ The performance agreements for the period under review;
- ✓ An evaluation of all approved policies and procedure manuals; and
- ✓ Progress reports from the Audit Committee that was implemented by the Accounting Officer for the past years including measures taken by the municipality to address previous audit findings.



7. Contents of the audit file

- ✓ The Valuation Roll that agrees with the rates reconciliation between the valuation roll and the rates levied.
 - must contain third-party confirmation and the values must be correctly stated in the Annual Financial Statements.
- ✓ The Statutory Funds with reference to the relevant supporting documentation that confirms all movements during the financial year;
- ✓ The Loan Register with reference to outstanding loans that is underpinned by the redemption tables and the short-term portion per loan agreements.
 - supporting documentation to the Loan Register must contain the necessary authorised signatures, and the purpose for which the loan has been acquired;
- ✓ The Creditors' and Debtors' reconciliation with reference to the amounts and their supporting documentation;



7. Contents of the audit file

- ✓ The Investment Register with reference to investments that were made, withdrawn, interest accrued and any other charges to the investments.
 - must reflect the correct value of the investment, the date of acquisition, the date of maturity and the purpose for which the investment is to be utilised upon maturity;
- ✓ The long-term Debtors with reference to supporting documentation or agreements. The historical data on short-term debtors with measures implemented to recover the outstanding debt;
- ✓ Bank reconciliations per month and year-end;
- ✓ The schedule of provisions authorised during the year, their supporting documentation and all calculations supporting the movements;



7. Contents of the audit file

- ✓ All suspense accounts cleared as at 30 June with the necessary supporting documentation.
 - Un-cleared items in the suspense accounts should have detailed motivation with confirmation on corrective action to be taken.
- ✓ All control accounts correctly balanced and supported by necessary documentation;
- ✓ Monthly certified payrolls that agree with the relevant control accounts;
- ✓ Documentation that supports the asset and inventory counts at year-end;
- ✓ The bank and investment accounts in the name of the municipality;



8. Audit Process

It order to ensure the smooth running of the audit process it is recommended that a audit steering committee is established consisting of the following officials;

Members of committee:

- ✓ Municipal Manager;
- ✓ Chief Financial Officer;
- ✓ Head of Internal Audit;
- ✓ Representatives from the Office of the Auditor General;
- ✓ Secretary - in order to ensure that proper minutes are taken of the meeting and are distributed to all members.
- ✓ Other managers the MM may deem fit.



8. Audit Process

Matters for discussion;

- ✓ Audit planning for the year (which activities will be subjected to an audit and the reasons).
- ✓ Strategy and estimated audit costs.
- ✓ Any deficiencies or irregularities revealed during audits.
- ✓ Audit reports, Management letters and queries to obtain unanimity on the contents and to expedite the finalisation thereof.
- ✓ Problems emerging during audits, e.g. availability of records, etc.

NB: It is recommended that the audit steering committee meeting should be held on a weekly basis.



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9. Disagreements

For disagreement's with the AG on technical accounting treatment: Contact the Provincial Treasury (PAG office); and where agreements are not reached between the three, PT will escalate the matter to the OAG.



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THANK YOU