

NORTHERN
CAPE
EDUCATION
DEPARTMENT

2008

[This policy outlines the identification, treatment and recognition of accruals in the department according to the requirements of the PFMA]

ACCRUALS POLICY

GENERAL

Responsibility of the accounting officer [Section 38(1)(a) (i) of the PFMA] and Treasury regulation 8.1.1

The accounting officer of an institution must ensure that internal procedures and internal control measures are in place for payment approval and processing. These internal controls should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported.

Accruals

Definition

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

Purpose

The purpose of this policy is to:

- Ensure that accruals are recorded completely and accurately;
- ensuring that employees have a clear and comprehensive understanding of the procedures they must follow to record these;

Recognition

Accounting policy

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Procedures

The procedures for the treatment of accruals are described below:

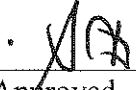
- All such amounts will be disclosed in the disclosure note. **These are ALL invoices that have not been approved for payment (but relate to the current financial year) at year-end will be disclosed, regardless of whether payment was made subsequent to year-end.** Where goods/services have been delivered and no invoice has been received at year-end, an estimate of the invoice amount should be made based on the order, quote or goods received note.

- Goods/services procured are done through an official order to the supplier. On the order form a goods received section is completed as evidence as to when the goods are received.
- Goods/services that have been delivered prior to year-end, but no invoice has been received from the supplier at the date of finalization of the financial statements, are also recorded in the accrual register from documentation as quotations, orders etc.
- All orders that do not have goods received signatures must be accounted for as commitments.
- All invoices received during the current financial year, but not approved on BAS must also be recorded as accruals.
- A report at year end must be generated comprising of all payments that was captured and not authorised.
- Invoices received by other units in the department after year end are sent to the SCM/Finance units for capturing in a register.
- This implies that all invoices received that relates to the prior financial year is recorded in an accrual register by finance and SCM units.
- Where goods/services with the invoices are received during a specific financial period, but not paid will also be recorded as an accrual. This will be achieved by matching the goods received signatures in the order books to the payments not captured on BAS.
- A list of all departmental monthly recurring expenditure must also be kept and recorded in the accrual listing.
- The accrual listing of the department at year end must be signed off by its preparer and approved by the Finance unit head to ensure that the listing is complete and accurate.
- Accruals should be disclosed as a listed by economic classification as well as by programme level.
- “Confirmed balances with other departments” per annexure 5, will also form part of the accrual note.
- A register for these amounts will be kept. The register will comprise the following information for completeness:
 - Supplier name;
 - Economic classification of expenditure;
 - Responsible program;
 - Invoice / delivery note/order/quotation number;

- Date of invoice;
- Age analysis of the accruals will also be provided on a summary basis.

Accrual's register

Supplier name	Economic Classification	Program	Invoice/Delivery Number	Invoice Date	Amount


 Approved
 Head of Department

09 / 06 / 08
 Date