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Department:
Environment & Nature Conservation
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

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DEPARTMENT OF ENVIRONMENT AND NATURE CONSERVATION

ACCRUALS POLICY
22 January 2014
FINANCIAL MANAGEMENT UNIT
VERSION 02

"A PROSPEROUS AND EQUITABLE SOCIETY LIVING IN HARMONY WITH OUR NATURAL RESOURCES"

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1. CONCEPTUAL BACKGROUND

1.1 INTRODUCTION

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

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.

Definition

Accruals: 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.

1.2 LEGISLATIVE REQUIREMENTS

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



2. POLICY STATEMENT AND APPLICATION SCOPE

2.1 POLICY STATEMENT

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. A Simultaneous Receipt and Issue Voucher is completed upon receipt of the goods/service 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 reporting date or where invoice has been received but paid subsequent to year end, are also recorded in the accrual register.
- 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.
- An accrual 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 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 compiler 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

2.2 APPLICATION SCOPE

This policy will apply to all officials of the Department of Environment and Nature Conservation.



3. POLICY FRAMEWORK

3.1 IDENTIFICATION AND CONSULTATION OF STAKEHOLDERS

This policy does not warrant the inputs of employees because it is regulated by Financial prescripts (requirements of the PFMA) and the Provincial Treasury.

3.2 TIMEFRAMES

This policy was analysed and aligned by the Policy Development, Research and Coordination unit on May 12, 2011. This policy was further modified by incorporating the Departmental letterhead on September 22, 2011.

3.3 IMPLEMENTATION STRATEGY

- Goods/services procured should be done through an official order to the supplier
- A simultaneous Receipt and Issue Voucher should be completed upon receipt of the goods/service
- All orders should have goods received signatures
- Goods should be approved on BAS
- Goods should be recorded in an accrual register.

The implementation date for this policy is February 01, 2014.

3.4 FINANCIAL IMPLICATIONS

The operational implications for this policy will be carried by the Supply Chain Management unit.

3.5 COMMUNICATION

- Provincial Treasury

3.6 COMPLIANCE, MONITORING AND EVALUATION (M&E)

- Accrual reports should be generated at year end
- 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 compiler and approved by the Head of the Finance unit.

3.7 POLICY REVIEW

This policy will be reviewed when the need arises or in case of the occurrence of extenuating circumstances (political mitigation, or pronouncement by legislation and/or regulations). The contact person for this policy will be required to submit all relevant information pertaining to this policy in conjunction with a signed memo with all amendments (addition or omission) during the third quarter annually.

The exception, the Policy development unit will be conducting all extenuating reviews throughout the year, therefore it is paramount that any new information received be submitted to this unit, in order to coordinate the review process of this policy.

3.8 POLICY IMPACT

The wish of this policy is to ensure that accruals are recorded completely and accurately, and ensuring that employees have a clear and comprehensive understanding of the procedures they must follow to record accruals.

3.9 INTERIM MEASURES

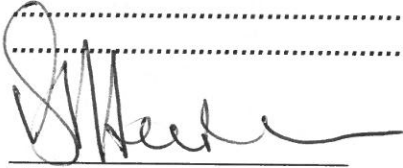
The department has been using the notes issued in terms of the PFMA.

A handwritten signature in black ink, appearing to be 'JMA', located in the bottom right corner of the page.

4. **ADOPTION OF POLICY**

Approved/~~Not Approved~~
Comments:

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D VAN HEERDEN
HEAD OF DEPARTMENT

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DATE