NORTHERN CAPE EDUCATION DEPARTMENT

2008

[This policy outlines the identification, system description and processes involved for the recording of journal transactions of the department according to the requirements of the PFMA]

JOURNALS POLICY

1. GENERAL

Section 38(1) (a) (i) of the PFMA stipulates the following:
The accounting officer for a department must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 17.1.1 of the Treasury Regulations requires that all the transactions of an institution must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.

Officials should ensure that sufficient appropriate supporting documentation is attached to the journal to enable an independent third party to understand the flow of the transaction and to determine its validity.

Every effort should be made to ensure that original transactions are recorded in the proper accounts at the correct amounts. Changes may be necessary in certain circumstances as described within this policy.
A General Journals form should be used for processing the request.

The Journal Entry process is detached from any other functional area. General Journals will mainly be done when an account is incorrectly classified, but only in those functional areas where Special Journals cannot be done. Erroneous allocations must be corrected by doing Journal entries.
These Journal entries can be done by the person who made the error, or it can be done by another person. The General Journals function on the BAS provides a mechanism whereby Journals can be entered into the BAS to perform a corrective or adjusting action. This helps to ensure that the accounting records are always correct.

JOURNAL TRANSACTIONS

2. PURPOSE
To outline policy and procedures for officials to have an understanding of journal transactions and the usage thereof.

3. OBJECTIVE
The objectives of the policy include -

- emphasising the accountability of employees for the Departmental resources;

- ensuring that employees have a clear and comprehensive understanding of the procedures they must follow for journal transactions;

- ensuring that resources made available to employees are utilised efficiently, effectively, economically and for authorised official purposes; and ensuring that the Department's resources are managed in compliance with the Public Finance Management Act, the Treasury Regulations and other relevant legislation

- ensuring that journals are used only for the appropriate reasons.
- identify the circumstances in which journals should be affected, how they should be recorded and approved with the relevant supporting documentation attached.

4. POLICY

- To ensure that all journal transactions are recorded in the Basic Accounting System of the department.
- Ensuring that journal transactions are recorded at the appropriate amounts.
- Ensuring that only valid and approved journal transactions are recorded on the Basic Accounting System.
- To ensure that journal transactions are recorded in the correct accounts.
- To ensure that journal transactions are posted to the correct financial year.

5. PROCEDURES

5.1 Journal transactions are utilised for the following purposes:

- Incorrect allocations
- Incorrect amounts captured
- Automatic electronic journals- Year end batch processes.
- Conversion processes
- Clearing suspense/control accounts

5.2 Four types of journals are currently being used by the department:

- Manual journals
- Online journals
- Year end automatic closure journals created by the Basic Accounting System.
- System generated journals- interface journals

6. COMPLETION OF THE JOURNAL FORM

Journal transactions are compiled by various officials within finance. All relevant information must be completed on the journal. The following information should be recorded in detail on the journal form:
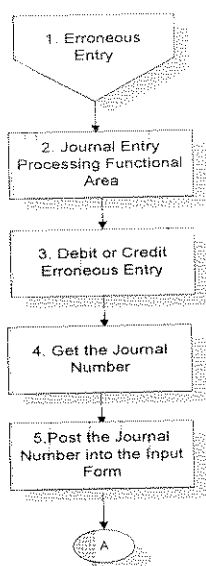
- For each debit entry, a corresponding credit field should be completed and vice versa.
- The relevant Fund, Objective, Project, Net assets, Regional Identifier, Responsibility, Item and Matching fields should be completed on the manual form where applicable.
- The compiler of the manual journal form should complete his/her name, rank, date and sign the journal form.
- A detail description of the journal should be completed on the journal description field.
- The posting date field must be completed.
- The debit and credit entries recorded on the manual form should always correspond. These entries should at all times agree to the supporting documentation attached to the journal.
- After the journal has been approved and captured on the Basic Accounting System, the capturer and approver of the journal should complete the system users field with the information that is generated from BAS.

7. APPROVAL OF JOURNALS

- Manual journal forms should be checked and verified by an official after the information on the journal has been reviewed.
- All relevant details of the verifier should be manually completed on the journal form.
- Segregation of duties should exist between the compiler and check and verifier.

## 8. RECORDING OF JOURNALS ON THE BASIC ACCOUNTING SYSTEM

8.1 GENERAL JOURNAL CAPTURING PROCESS FLOW

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                    ┌──────────────────┐
                     \  1. Erroneous   /
                      \    Entry      /
                       ────────────────

                    ┌──────────────────┐
                    │  2. Journal Entry │
                    │ Processing Functional│
                    │       Area        │
                    └──────────────────┘

                    ┌──────────────────┐
                    │ 3. Debit or Credit│
                    │  Erroneous Entry  │
                    └──────────────────┘

                    ┌──────────────────┐
                    │ 4. Get the Journal│
                    │      Number       │
                    └──────────────────┘

                    ┌──────────────────┐
                    │ 5.Post the Journal│
                    │ Number into the Input│
                    │       Form        │
                    └──────────────────┘

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8.2 GENERAL JOURNAL CAPTURING EVENT PROCESS DESCRIPTION

- The General Journal function can be done both manually and online. In case of the online system (BAS) 'Journal Entry Processing' functional area is used to correct erroneous allocations. This functionality allows the user to debit or credit incorrect entries made.

- In the case of manual journals, after the user has corrected the entry, the system generates the Journal number that must be written into the General Journal Input Form.

- The corrected entries are then sent to the Authoriser for verification and authorisation.

8.3 GENERAL JOURNAL AUTHORISATION PROCESS FLOW
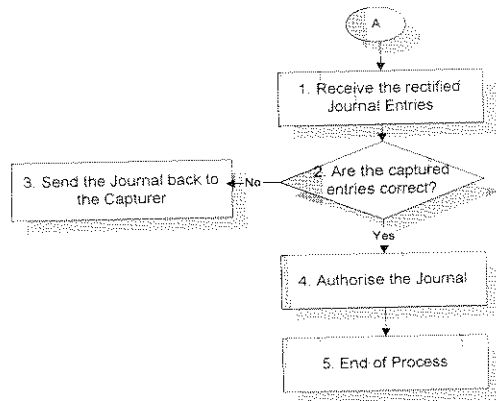
8.4 GENERAL JOURNAL AUTHORISATION EVENT PROCESS DESCRIPTION

- The Supervisor/Authoriser receives the captured Journal from the Capturer. The captured details are then checked for correctness. If the captured details are incorrect, the Authoriser sends them back to the Capturer for correction.

- The correctly captured J ournal is authorised and then financial transaction is posted to the relevant accounts.

- Segregation of duties should exist between the capturer and the authorisor of the journal on the Basic Accounting System.

- After the journal is processed it is sent back for filing.

9. ADDITIONAL

9.1 ONLINE JOURNALS

- Online journals is mostly used for clearing unresolved transactions in the group bank accounts, from the Exception to adjustment accounts etc.

- The data capturer resolves all online journals by clearing the adjustment/exception account.

- BAS creates automatic journal entries between the exception and adjustment accounts during the year. This is as a result of differences between serial numbers, unidentified credits etc.

9.2 MONTH/YEAR END CLOSURE

- The capturer will go to the functionality period opening/closing and close the month. This process will be completed/followed for the financial year-end. Thereafter the authoriser approves the month/year-end closure. Thereafter BAS automatically creates closing journals for that year.

- Officials should ensure that the journal transaction posted is recorded at the correct amounts/accounts and in the correct financial period.

Approved

09/06/08

Head of Department