

NATIONAL TREASURY

Best Practice Guideline

**IN YEAR MANAGEMENT,
MONITORING AND REPORTING**

National Treasury

July 2000

Contents

Foreword by Maria Ramos, Director-General National Treasury

1. Introduction

- Background & context
- Legal requirements
- Concepts

2. The production & interpretation of reports

- In-year management, monitoring & reporting
- Monthly reports
- Quarterly reports
- Annual Report
- Process
- Month-end procedures & report
- Formats
- Commitments
- Projections
- Summary

3. Taking action

- Introduction
- Concepts
- Taking remedial action
 - Virement
 - Rollovers
 - Transfer of functions
 - Adjustment estimates
 - Curtailing expenditure on a programme

4. Quality issues

- Improving the quality of (financial) data

Annexures

- A Public Finance Management Act, Sections 32, 39 & 40: Division of Revenue Act Sections 7-9
- B Summary of Accounting Officer's Responsibilities
- C Conceptual view of the process
- D Free State month end procedures
- E FMS, BAS, PERSAL, LOGIS
- F Formats & explanations

Foreword

This 'Best Practice Guide' is the first in series of publications to assist Accounting Officers in dealing with the changes brought about by the Public Finance Management Act. One of the most important and immediate changes is the requirement to formalise in-year management, monitoring and reporting processes, as part of the broader improvements to the manner in which government finances are managed.

The PFMA promotes the need for in-year management of resources, and requires, with immediate effect, accounting officers to act as managers, and ensure effective in-year management mechanisms are in place. Accounting officers must monitor progress on the department's operational plan (which includes the budget), and produce, consider and act on monthly and quarterly reports, which are to be submitted to the executive authority and the treasury. Systems and processes already exist for the monitoring and reporting monthly of budgetary performance, but accounting officers will have to scrutinise the (financial) information, including data on grants and transfers, before signing off on the reports required by the Act.

When considering in-year management, monitoring and reporting, it is easy to focus attention on the information systems that produce the reports, at the expense of the other elements in the process, particularly the starting point: the data that is the fundamental building block of the entire procedure, and also the need to make use of the output generated – the production of information is not an end in itself – managers must use it. This guide considers all aspects of the process in a user friendly manner, in order to encourage Accounting Officers to take their responsibilities seriously and improve the use of the resources entrusted to them.

The Guide is structured into four sections: an introduction which sets the context, PFMA requirements and some of the concepts involved, as well as an overview of the process. Section two considers the in-year reports themselves, including the mechanics of production (such as the necessary month-end procedures and the process of making projections), and this is followed by a consideration of the interpretation of the reports and instituting any remedial action which may be required (such as exercising virement). The final section considers the quality issues to be addressed in the coming years.

Maria Ramos, Director-General, National Treasury

1 INTRODUCTION

Background and Context

It is impossible to manage any organisation without the information to develop plans, evaluate alternatives, and where necessary, to institute corrective actions. Traditionally, managers in government have placed too little importance on receiving and acting upon accurate and up-to-date data – particularly financial data - with the result that accountability has been undermined and available resources have been used to less than their maximum potential.

The Public Finance Management Act (Act No 1 of 1999 as amended by Act 29 of 1999) stresses the need for accounting officers (and those to whom managerial responsibilities have been delegated) to regularly monitor and report on the performance of their Departments against the agreed budget for the year. However, this is not a mechanistic requirement to ‘tick boxes’, but one element in a process designed to improve the use of limited financial resources in the delivery of services to communities.

The Act stresses the need for regular monthly monitoring reports to be produced by the accounting officer for submission to the Minister or MEC and the relevant treasury. The intention is to develop a single process (based on the ‘Early Warning System’ which has evolved over the past two years) to meet the information needs of managers and satisfy the reporting requirements of the PFMA, as well as the provisions of the Division of Revenue Act (No 16 of 2000: DoRA).

The reports will focus attention on performance against budget *and* against service delivery plans, and will alert managers where remedial action is required. In addition, reports will be consolidated and published monthly for National Departments and quarterly for Provinces in the national *Government Gazette*, in line with international best practice. These monthly reports will facilitate the compilation of the year-end financial statements and annual report, and the reduced timeframe for audit procedures will strengthen accountability to legislatures.

Legal requirements

In brief, the reporting requirements specified in sections 32 and 40(4) of the PFMA, and also in sections 7 to 9 of DoRA, require that expenditure and revenue information for all programmes be provided each month to the national Treasury (see Annexure A). Failure to provide this information

is not only illegal and grounds for the sanctions under the Act to take effect, but also reflects poor management.

Regardless of these legislative requirements, the monitoring of financial data is an essential element in managing the performance of any spending agency. Unless managers receive appropriate information on the services for which they are accountable, effective management and governance is impossible.

Concepts

Three basic questions arise during the 'monitoring' phase of the management process:-

- What has happened so far?
- What do we think will happen to our plan for the rest of the year?
- What (if any) actions do we need to take to achieve our agreed plan?

At present, managers are not always able to address these questions in an informed manner, as the data they receive is often inaccurate or only available after a long delay. One of the most crucial aspects of implementing the PFMA will be improving the quality of information available to managers. Ideally, the information generated by a management information system should be:-

- accurate, for meaningful decisions and steps to be taken;
- timely;
- reliable;
- clear and unambiguous;
- economically justified, and avoid the production of unnecessary data;
- flexible, and easy to adjust as needs change;
- comparable, to ensure that decisions have a baseline;
- relevant to each particular manager's area of responsibility.

While no system will ever be ideal and there will always be scope for improvement, the accounting systems currently in place throughout government (e.g. FMS, BAS) are capable of providing managers with sufficient data to allow them to discharge their responsibilities. The improvements that are necessary will be stimulated by managers interrogating the information presented to them.

Best practice internal reporting

Just as the qualities of information are important, so is the manner in which it is communicated. Complex financial data, presented in endless columns and rows of figures may meet all the qualities outlined above, but still prove ineffective if managers are unable to access and hence use it to assist in the decisions they take.

Information to managers and Ministers of MECs (referred to as Executive Authorities in the Act) is usually presented in internal reports, which should be designed to facilitate:-

- controlling the current activities of the organisation;
- planning its future strategies and operations;
- improving objectivity in the decision-making process;
- optimising the use of resources;
- measuring and evaluating performance;
- improving internal and external communication.

Internal reports must achieve a balance between presenting sufficient detail to be meaningful without overburdening the preparer or swamping the reader; focussing on critical outputs with accurate and timely data, presented attractively and concisely.

'Best practice' internal reporting suggests that management information should include:-

- A graphical presentation of performance for the period showing Key Performance Indicators (KPIs) - this is seldom provided;
- An emphasis on both operational and financial KPIs which are the focus for senior management;
- Written commentary on the overall performance of the entire organisation;
- A set of financial statements (ideally compiled on the accrual base, but noting the limitations of the current cash-based system);
- A concise report from each major business unit, highlighting variances against budgets.

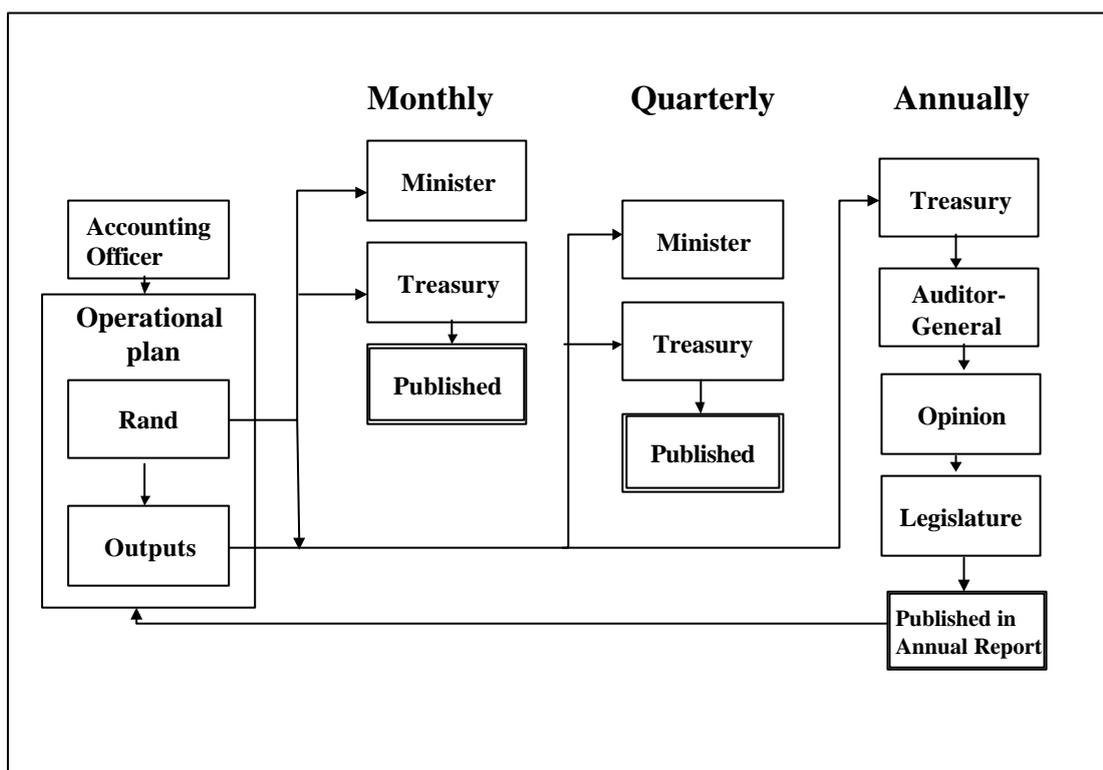
The PFMA specifies that a variety of reports (some monthly, others quarterly, and finally, at the year-end) be produced, and there are different responsibilities for Executive Authorities and Accounting Officers. While the information specified in the Act may be seen as an increase on that currently produced, it represents the minimum that a manager will need to manage, and must be seen in this light: Accounting Officers must use the information before passing it to the relevant treasury – simply producing it to satisfy a legal requirement will be an exercise in futility. The intention is that

there ought to be a single process for ensuring that effective management, monitoring and reporting can take place within a Department and then the same information be submitted to the (relevant) Treasury in order that it may discharge it's monitoring and publication responsibilities.

2 PRODUCTION & INTERPRETATION OF REPORTS

In-year management, monitoring and reporting

Each department will have compiled a three-year strategic plan, and the first year of this (the operational plan) will include the service delivery indicators and costs which, once approved by the legislature, becomes the annual budget. The executive authority must ensure that the accounting



officer's performance agreement is consistent with the operational plan, and that the KPIs reflect the fact that implementation must start as soon as the financial year begins.

Once the financial year begins, the accounting officer must submit regular monthly monitoring reports to the Minister or MEC and the relevant treasury. The PFMA specifies a variety of progress reports, monthly, quarterly and at year-end, with different responsibilities for executive authorities and accounting officers (those for accounting officers are summarised in Annexure B). The requirements are illustrated in the diagram above, and are detailed in the remainder of this chapter.

These reports will focus on performance against budget *and* against service delivery plans, and will alert managers when remedial actions are required. The onus to take such actions is put squarely on the manager and not on the (relevant) treasury. The treasury's role will shift away from the traditional micro-control approach, which required even mundane matters to be referred to it for approval.

Whilst the Act focuses on financial reporting, (as financial data are leading indicators of performance) the accounting officer is also expected to include non-financial indicators to the executive authority, which will normally be programme-specific and produced quarterly (this will be a formal requirement from April 2002).

Internal control measures such as internal audit will ensure that the accounting officer can be more proactive, and problems dealt with timeously. This approach will also assist the external auditor. The monthly monitoring reports will be consolidated and published in the national *Government Gazette*, in line with international best practice. These reports will facilitate the compilation of the year-end financial statements and the annual report, which completes the accountability cycle.

Monthly reports

The accounting officer must submit to the relevant treasury and executive authority within 15 days of the end of each month, information on:

- the actual revenue and expenditure for that month, in the format determined by the national Treasury
- projections of anticipated expenditure and revenue for the remainder of the current financial year in the format determined by the national Treasury
- information on conditional grants received and actual spending against them
- information on all transfers
- any material variances and a summary of actions to ensure that the projected expenditure and revenue remain within the budget.

Provincial statements to the national Treasury

In addition, the provincial treasury must submit a statement of transactions affecting its revenue fund (in the prescribed format) to the national Treasury before the 22nd day of each month. The head of the provincial treasury must certify that the information has been verified.

Quarterly reports

The national Treasury will publish in the *Government Gazette*, at least quarterly, a statement of the revenue and expenditure of each of the ten revenue funds, showing actual performance against the budget for each vote.

Information on grants made under the DoRA must be reported in terms of that Act, which requires that the accounting officer effecting transfer payments must submit a report to the relevant treasury within 15 days after every quarter, outlining per organisation all the funds transferred up to the end of that quarter.

Annual report

The accountability cycle is completed by the production and publication of an annual report, which reviews performance and achievement against the plan and budget approved by the legislature at the start of the year. The Act requires each department to publish an annual report that ‘fairly presents’ the state of its affairs, its financial results and position at the end of the financial year, and its performance against predetermined objectives. The annual report is the subject of another ‘Best Practice’ Guide in this series, and is not considered further here.

The Reporting Process

Conceptually, there are a number of steps in the process of converting the millions of individual transactions that occur as a result of government activities into the information to be published monthly. While the major focus is usually on the reports generated by the accounting system at the end of each month, the stages which surround the production of the reports are equally important, and these are summarised in the diagram attached as Annexure C. (While the process may be clear, a number of problems remain to be solved in order to improve the quality and reliability of the information, and the issues to be addressed over the coming months are considered in Section 4 of this Guide.)

Accounting officers are not expected to understand all the technical details of these processes, but from a managerial perspective, they will need to appreciate the key stages; these are the accounting procedures which have to be completed at the end of each month, the comparison of actual revenue and expenditure to that anticipated in the budget, and the projections for the remainder of the year. In order to improve accountability, each Accounting Officer is required to sign the report for his or her department before it is submitted to the relevant treasury and the executive authority.

The key stages in this process are considered in more detail in the paragraphs below.

Month-end procedures and reports

In any large organisation such as a government department, a sequence of complex and interlinked accounting transactions must be completed at the end of each period in order to produce a 'result' for the period. While the detail and volume of these transactions may vary considerably from department to department (and from accounting system to accounting system), the nature of the tasks to be completed will be consistent, and will include the requirement to undertake reconciliations, check the allocation of transactions, clear errors and suspense items, balance various types of accounts, etc. These processes may well appear tedious, but a failure to complete them on a routine basis will lead to major complications and delays at the end of the financial year, and possibly expose the accounting officer to a charge of financial misconduct for not producing the department's accounts within the prescribed period of two months.

In order to meet its obligations, the National Treasury requires monthly information from departments by the 15th of the next month, and hence in future, these month-end procedures will have to be completed at the very latest by the 10th day of every month. A detailed example (taken from a Provincial government) of the tasks to be completed within each department appears as Annexure D.

Completion of the procedure outlined above will allow the 'books to be closed', and a monthly result produced in the form of 'actual expenditure and revenue'. This information is usually shown on a cumulative basis, against the budget for the corresponding period in order to indicate any variance (each of the major different systems in operation has a variety of user manuals available, and the salient points of FMS, BAS and PERSAL appear as Annexure E). It is crucial that managers understand the reasons why variances have arisen, and this is discussed in detail below.

Formats and Projections

Examples of the reports to be submitted to the relevant treasury in terms of the PFMA and DoRA are shown at Annexure F.

These formats require more than an indication of (and explanation for) variances between the actual result for the period and that budgeted: they require a projection to the end of the financial year. In the past, this projection was often simply presented as the difference between the annual budget and actual expenditure (or revenue) to date; in effect managers assumed that any unspent amounts on their budget would be used by the end of the year. In other words, managers were implicitly stating

that the plan upon which their budget had been based would be achieved exactly, despite the fact that this plan had been compiled up to 10 months before the start of the financial year, and may have been overtaken by events, or that the evidence (in the form of recorded variations in the year-to-date performance) demonstrates that events may not be on track.

This unthinking approach is not acceptable, and is one of the most crucial changes in attitude sought by the PFMA. It is essential that managers address the in-year management concepts outlined in the introductory section of this Guide. These are:

- What has happened so far?
- What do we think will happen to our plan for the rest of the year?
- What (if any) actions do we need to take to achieve our agreed plan?

The month-end report reflects what has happened so far. It must be noted that variances between the actual result and that budgeted arise for different reasons, and it is vital that the underlying reason for each variation is identified before any projection for the remainder of the year can be made.

In general, the reasons variations arise are as follows:

- Errors – large scale accounting systems are prone to errors at the data input stage (for example, incorrect codes are used, resulting in misallocations between cost centres or line items);
- The report is incomplete as some transactions have not been captured at the time the report was produced (for example, a batch of invoices was not received and processed before the closing date);
- The budget ‘profile’ - that is the anticipated timing of particular events during the year – proved to be inaccurate. For example, at the time the budget was approved, it was assumed that vehicles would be serviced in July, and this did not happen until August – resulting in an apparent underspending in the July report); alternatively, the budget ‘profile’ may simply have divided the total figure for the year into 12 equal instalments while the actual pattern of expenditure is seasonal (for example, electricity, where expenditure is likely to be higher in the winter). It must be stressed that the exercise to produce an accurate month-by-month profile of the annual budget is an area where accounting officers can make an immediate improvement in the financial data available to them;
- Actual events do not accord with those planned (for example, projects are slow to start, and will not be completed within the financial year). This is the type of variation that will require the greatest attention from management.

Any projection must be based on an understanding of which of the four reasons mentioned above has given rise to a variation (and of course, even a zero variation to date does not mean that the projection will equal the remaining budget). Based on this understanding, each manager will be able to apply his or her mind to predicting what will happen to their plan over the rest of the year. For example, will a delay in the award of a tender result in a capital project running into the next financial year with a consequent underspending this year? Similarly, the financial consequences of all aspects of the plan can be anticipated and a realistic projection calculated. Finally, each manager must consider what (if any) action must be taken to achieve the agreed plan: this is considered below.

Commitments

One of the key factors in developing any projection is a consideration of the 'commitments' that a department may have entered into to date, for example, orders issued for goods or services which have not yet been received. Clearly, committed amounts reduce the balance available for expenditure in the remaining portion of the year and must be brought into the calculation of any projection.

Summary

The PFMA promotes the need for in-year management of resources, and requires, with immediate effect, accounting officers to act as managers, and ensure effective in-year management mechanisms are in place. Accounting officers must monitor progress on the department's operational plan (which includes the budget), and produce, consider and act on monthly and quarterly reports, which are to be submitted to the executive authority and the treasury. Systems and processes already exist for monitoring and reporting monthly budgetary performance, but accounting officers will have to scrutinise the (financial) data, including data on grants and transfers, produced before signing off on the reports required by the Act.

Financial data is a leading performance indicator (i.e. it is normally available before other non-financial data), and should ideally be accompanied by non-financial indicators, and both should be submitted to Executive Authorities and Cabinet or the Provincial Executive Committee on a quarterly basis. From April 2002, this will be an obligation of the PFMA (although accounting officer are free to begin immediately).

Accounting officers are expected to use international best practice; this will be monitored by the relevant portfolio committee and by SCOPA. Failure to implement best practice may expose the accounting officer to disciplinary proceedings. For example, should unauthorised expenditure occur and the accounting officer be unable to demonstrate that he or she had made use of the monthly reports required by the Act and had taken appropriate remedial action, the relevant treasury may wish to institute charges of financial misconduct.

3 TAKING ACTION

Introduction

Once the reporting requirements of the PFMA and DoRA have been satisfied, managers will need to decide on the actions they must instigate. At a minimum, variations resulting from errors at the data input stage must be corrected, and allowances made for transactions not captured at the time the report was processed. Changes may also be required to budget 'profiles' for the remainder of the year.

However, the greatest management attention must be devoted to those situations where actual events do not accord to those anticipated in the operational plan (and noted either as a variation in the accounting report or from other sources); in other words, to address the question, what actions must be taken to achieve the agreed plan? In financial terms, some or all of the following actions may become necessary:

- Virement
- Rollovers
- Transfer of functions
- Additional funds through an adjustments budget
- Curtailment of expenditure on the programme

Each is considered in the paragraphs below.

Virement

Virement means that under certain conditions, a budgetary allocation is transferred from one main division to another (without increasing the total departmental budget). Unless the relevant treasury directs otherwise, an accounting officer may utilise a saving of up to 8 per cent of the amount appropriated under a main division (i.e. programme) for defraying excess expenditure under another main division within the same vote. This must be reported to the executive authority and the relevant treasury within seven days.

Illustration of the exercise of Virement

DEPARTMENT OF XXX

R million	Budget	Actual expenditure	Variation
Programme A	1 200	1 600	400
Programme B	1 000	800	(200)
Total	2 200	2 400	200

Unless an adjustments budget change increased the total allocation by R200 million, and also increased the allocation for programme A and decreased the original allocation to programme B, the Auditor-General's audit opinion will note that the total budget was overspent by R200 million, and that this is unauthorised expenditure. It will highlight that the budget for programme A (which is a main division of a vote) was overspent by R400 million, compared to the original allocation. Section 42 of the PFMA on virement does allow the accounting officer to shift R80 million (8 per cent of R1 000 million (although there are limitations specified in Section 43 (4), and personnel expenditure and transfers by departments may not be increased without prior approval of the relevant treasury) from programme B to A. Had this been done, only R320 million of the additional R400 million spent on programme A would have been unauthorised. Further, programme B is underspent by R200 million (or R120 million had the virement been exercised).

Rollovers

A particular problem in recent years has been the amount of money 'rolled over' from one financial year to the next. This is generally the result of poor planning, and Government intends to reduce the amount of rollovers in future. Accounting officers must recognise that, in most cases, the failure to utilise funds allocated by a legislature represents underperformance.

However, there may be instances where a project or activity is likely to 'slip' into the next financial year, and the Act allows for this. Appropriated funds that have not been spent in a particular financial year may be 'rolled over' to a subsequent year in certain circumstances, and subject to approval by the relevant treasury. Capital funds may be rolled over to finalise projects still in progress or for other capital purposes. Transfer payments may not be rolled over for purposes other than originally voted. A maximum of 5 per cent of a department's current expenditure may be carried into the next financial year.

Transfer of functions

Before seeking formal approval from the Minister of Public Service and Administration or the Premier of a province for a transfer of functions to another sphere of government, the transferring accounting officer must first obtain the approval of the relevant treasury for any funding arrangements.

Additional funds through an adjustments budget

The Act provides for an adjustments budget to deal primarily with matters that are unavoidable and were unforeseeable at the time the budget was compiled. Any department requesting additional funds through an adjustments budget must submit a memorandum to the relevant treasury, the Cabinet/EXCO Secretariat and any treasury subcommittee of the Cabinet/EXCO.

Curtailement of expenditure on a programme

In some situations, it may become necessary to curtail expenditure on an agreed programme, as the circumstances have changed to such an extent from those anticipated at the time the operational plan was agreed, or in order to avoid unauthorised expenditure being incurred. This situation must be reported to the Executive Authority and relevant treasury as soon as the Accounting Officer becomes aware of the situation.

4 QUALITY ISSUES

Managers often complain about the quality of the financial information provided to them, but fail to appreciate that they are in a position to improve the situation by interrogating the reports they receive. For example, the quality of the information produced depends crucially on the accuracy and timeliness of the data entered into the various systems. Accounting officers will need to ensure that all staff involved in these processes have suitable capacity. The quality of the information will only improve if accounting officers and CFOs consider, test and use such information.

A number of quality issues have been identified and are receiving attention. They are summarised below, as in a number of instances, accounting officers may be able to instigate improvements within their departments.

1 Mapping of links

At present, there are a number of instances of imperfect ‘mapping’ from feeder and/or accounting systems into the Vulindlela database, which stem from the nature of the data structures within the different systems. This is further complicated by the fact that the chart of accounts is used in different ways across departments. The requirement to publish data by ‘main division’ and the desire to build reliable histories upon which projections can be based place an additional burden in that programmes may not always run consistently from year to year, and hence a considerable effort will be required to ensure that all linkages are correctly specified by the department concerned.

2 Roll out of ‘Vulindlela’

A data warehouse with a user-friendly ‘front end’, known as ‘Vulindlela’, has been developed to extract relevant data from the various accounting systems, in order to facilitate reporting by departments. Vulindlela will be made available to all users in the coming months.

In addition to facilitating monthly reporting practices, Vulindlela will contain monthly (and yearly) expenditure and revenue information (budget, actual and forecast), and will also be used to monitor asset and liability information and to assist in the eventual financial consolidations required in terms of section 8 and 19 of the PFMA. In order to facilitate budget analysis, the database will ultimately hold a history of 5 years, and is currently being used for reporting in terms of the internationally agreed system of ‘Government Finance Statistics’.

One of the reasons that individuals doubt the credibility of the Vulindela system is that the figures extracted do not appear to reconcile to other data. In most cases, this is simply the result of ‘timing differences’, which will be eliminated with adherence to an agreed schedule of deadlines for interfaces etc to be completed.

3 Suspense accounts

One of the reasons that data may be unreliable is the (mis-) use of suspense accounts, which could result in expenditure being under-recorded. In order to eliminate this problem, the *Treasury Regulations* require that these accounts are cleared each month, and this will be monitored in the future.

4 Definitions of content in pro forma reports

At present, the data reported by departments may be inconsistent, in that various ‘off-budget’ items may be included in some cases. It is essential to ensure that there is a common understanding of the treatment of donor-funded expenditure, agency payments and expenditure of non-voted funds such as trading entities. A precise definition of the content of reports will be agreed for circulation.

5 Personal Responsibilities

The major thrust of the PFMA is to enhance accountability throughout government, and this cannot be achieved unless there is a clear understanding of which official is responsible for each aspect of the reporting process. One example of this is the requirement that each Accounting Officer formally ‘signs-off’ his or her departmental monthly report before submission to the relevant Treasury.

6 Month-end processes, and restatement of previous months figures

At present, the procedure for the monthly closure of ledgers allows for a 3 month “window” period during which transactions (such as those from control accounts, Deposit, Orders payable and Consolidated Paymaster General accounts) can be posted into a previous month. Clearly, this process of “backdating” transactions to previous months may compromise key aspects of financial management, particularly the correct reflection of revenue and expenditure, and hence the provision of reliable management information. In future, it must be agreed that all ledgers will close by the latest on the 10th day of the following month, and if departments fail to do this, the Office of the Accountant-General will ‘force’ the closure electronically.

7 Treatment of source documents

The output of any system is only as good as the data that is input, and there are quality issues around the coding of source documents and the treatment of batches that must be addressed within departments by the Accounting Officer.

8 ‘White book’ not always loaded

There are many cases where the approved budget, as specified in the ‘White book’, is not loaded into the accounting system, making it impossible to compare actual results with the budget.

9 Use of Data

If the data contained in the reports, generated by a fairly complex process, are not seen by those preparing them to be used for any meaningful purpose, then it is likely that diminishing efforts will be given to the process. It is the responsibility not only of Accounting Officers to use the information contained in the reports in managing their Departments, but also of the National Treasury to be seen to make constructive use of the information submitted to them.

11 Functional responsibilities between Departments & Treasuries

The PFMA emphasizes the responsibilities of Accounting Officers, yet this has often undermined in the past by Treasuries assuming inappropriate responsibility for work that should be undertaken within Departments. While it is recognized that patterns of behaviour which have been entrenched over many years cannot be reversed overnight, changes must be made to signal clearly that the Treasury is no longer a ‘financial policeman’ and that Accounting Officers must assume their responsibilities.

Public Finance Management Act

Section 32: Publishing of reports on state of budget

- (1) Within 30 days after the end of each month, the National Treasury must publish in the national Government Gazette a statement of actual revenue and expenditure with regard to the National Revenue Fund.
- (2) After the end of a prescribed period, but at least quarterly, every provincial treasury must submit to the National Treasury a statement of revenue and expenditure with regards to the Revenue Fund for which that treasury is responsible, for publication in the national Government Gazette within 30 days after the end of each prescribed period.
- (3) The statement must specify the following amounts and compare those amounts in each instance with the corresponding budgeted amounts for the relevant financial year:
 - (a) The actual revenue for the relevant period, and for the financial year up to the end of that period;
 - (b) the actual expenditure per vote (distinguishing between capital and current expenditure) for that period, and for the financial year up to the end of that period; and
 - (c) actual borrowing for that period, and for the financial year up to the end of that period.
- (4) The National Treasury may determine-
 - (a) the format of the statement of revenue and expenditure; and
 - (b) any other detail the statement must contain.

Section 39: Accounting officers' responsibilities relating to budgetary control

- (1) The accounting officer for a department is responsible for ensuring that:
 - a) expenditure of that department is in accordance with the vote of the department and the main divisions within the vote; and
 - b) effective and appropriate steps are taken to prevent unauthorised expenditure.
- (2) An accounting officer, for the purposes of subsection (1), must:
 - a) take effective and appropriate steps to prevent any overspending of the vote of the department or a main division within the vote;
 - b) report to the executive authority and the relevant treasury any impending:
 - (i) under collection of revenue due;
 - (ii) shortfalls in budgeted revenue and
 - (iii) overspending of the department's vote or a main division within the vote;and

[Para. (b) amended by s. 20 (a) of Act No. 29 of 1999.]

- (c) comply with any remedial measures imposed by the relevant treasury in terms of this Act to prevent overspending of the vote or a main division within the vote.

[Para. (c) substituted by s. 20 (b) of Act No. 29 of 1999.]

Section 40 (4): Accounting officers' reporting responsibilities

The accounting officer of a department must:

- (a) each year before the beginning of a financial year provide the relevant treasury in the prescribed format with a breakdown per month of the anticipated revenue and expenditure of that department for that financial year; and
- (b) each month submit information in the prescribed format on actual revenue and expenditure for the preceding month and the amounts anticipated for that month in terms of paragraph (a); and
- (c) Within 15 days of the end of each month submit to the relevant treasury and the executive authority responsible for that department-
 - (i) the information for that month;
 - (ii) a projection of expected expenditure and revenue collection for the remainder of the current financial year; and
 - (iii) when necessary, an explanation of any material variances and a summary of the steps that are taken to ensure that the projected expenditure and revenue remain within budget.

Division of Revenue Act, 2000

Conditional grants

7. (1) The transferring national officer responsible for a conditional grant set out in Schedule 3A or Schedule 3B must by 1 April 2000 or such date agreed upon with the Director-General, but not later than 30 June 2000, submit to the Director-General at least the following information:

- (a) The purpose and conditions, if any, of the grant;
- (b) the proposed criteria for the division of such grant among the provinces;
- (c) any associated costs, including any future costs, arising directly or indirectly from the grant but not covered by it;
- (d) the monitoring and reporting mechanisms for such grant;
- (e) the proposed payment schedule for such grant;
- (f) agreements, if any, of the MINMEC relating to such grant; and
- (g) such other information that may be requested by the Director-General.

(2) A transferring national officer must by 1 April 2000 or such later date agreed upon with the Director-General, but not later than 30 June 2000, certify to the Director-General that all arrangements, business plans, payment schedules and any other requirements deemed necessary to allow funds to be transferred to a province or municipality, are in place.

(3) Before submitting the information required in subsections (1) and (2), the transferring national officer must consult with the receiving officer in respect of a grant to a province, or with SALGA in respect of a Schedule 3B grant to be received by a municipality.

(4) The Director-General may exempt a grant from any of the requirements of subsections (1), (2) or (3).

(5) (a) The transferring national officer must deposit, in accordance with a payment schedule determined by the Director-General after consultation with the head officials of provincial treasuries in respect of a deposit to a provincial Revenue Fund, a Schedule 3A or 3B grant into-

(i) the relevant provincial Revenue Fund; or

(ii) the relevant municipal banking account, where a Schedule 3B grant is transferred directly to a municipality.

(b) The transferring provincial officer must deposit, in accordance with a payment schedule determined by the transferring national officer after consultation with the Director-General, a Schedule 3B grant into the relevant municipal banking account.

(6) Funds transferred to a provincial Revenue Fund must, subject to section 226 of the Constitution, only be withdrawn-

(a) in terms of an appropriation by a provincial Act; or

(b) in the case of a Schedule 3B grant transferred to a municipality through a province, as a direct charge against that Revenue Fund.

(7) The receiving officer of a Schedule 3A or Schedule 3B grant must ensure-

(a) that it is properly managed and accounted for;

(b) that the funds are spent in accordance with its purpose and conditions; and

(c) that there is compliance with agreed reporting and monitoring mechanisms.

(8) (a) The receiving officer in a municipality of a Schedule 3B or 3C grant must submit to a transferring provincial or national officer, as the case may be, a report on the grant in the prescribed form not later than five working days after the end of every month or such date prescribed in respect of such grant.

(b) The receiving officer in a province in respect of a Schedule 3A or 3C grant or the transferring provincial officer, as the case may be, must, by the tenth working day after each month or such date prescribed in respect of such grant, submit a report to the head official of the provincial treasury and to the transferring national officer.

(9) The reports contemplated in subsection (8) must include-

(a) an outline of actual revenue and expenditure on the grant for a month and the projected total revenue and expenditure on the grant for the financial year, including projected commitments on it for the financial year;

- (b) the reasons for any projected under-spending or over-spending on that grant and an identification of the measures to be taken to deal with such under-spending or over-spending.
- (c) the projected roll-over into the next financial year;
- (d) information on how the province or municipality receiving a grant complied with its conditions; and
- (e) such other information as may be requested by the Director-General.

(10) The transferring national officer and the head official of a provincial treasury must ensure that the report contemplated in subsection (9) is submitted in the prescribed form to the Director-General by the fifteenth working day after the end of each quarter or such date agreed upon with the Director-General.

Agency payments

8. (1) The national accounting officer of a department or the provincial accounting officer of a provincial department responsible for transferring an agency payment is responsible for accounting for that agency payment and must, for the purpose of such accounting, by 1 April 2000 or such date agreed upon with the Director-General but not later than 30 June 2000 or such date agreed upon with the Director-General but not later than 30 June 2000, enter into agreements with the relevant provincial or municipal accounting officers regarding any responsibilities and obligations of the principal and agent departments concerning that agency payment, and must, if he or she is a national accounting officer, submit a schedule outlining such agreements to the Director-General, or must, if he or she is a provincial accounting officer, submit such a schedule to the head official of the provincial treasury concerned.

(2) Subject to subsection (1), an agency payment to a province must be deposited in a banking account approved by, and subject to the conditions determined by, the head official of a provincial treasury and must comply with the framework determined in terms of section 7 of the Public Finance Management Act.

(3) A province or municipality performing an agency service may charge a two percent fee or such other amount agreed upon to cover the costs or rendering such service.

Allocations in respect of capital grants

9. (1) In respect of grants identified as capital grants in Schedules 3A, 3B and 3C, every transferring national officer must, on a quarterly basis, provide the Director-General with a schedule outlining the transfer agreements for such grants in respect of each province or municipality receiving such grant during that quarter.

(2) the agreements referred to in subsection (1) must include-

- (a) the conditions of the grant;
- (b) the monitoring;
- (c) the projected dates of transfers of the grant; and
- (d) the projected financial implications in future years, resulting from the project funded by the grant.

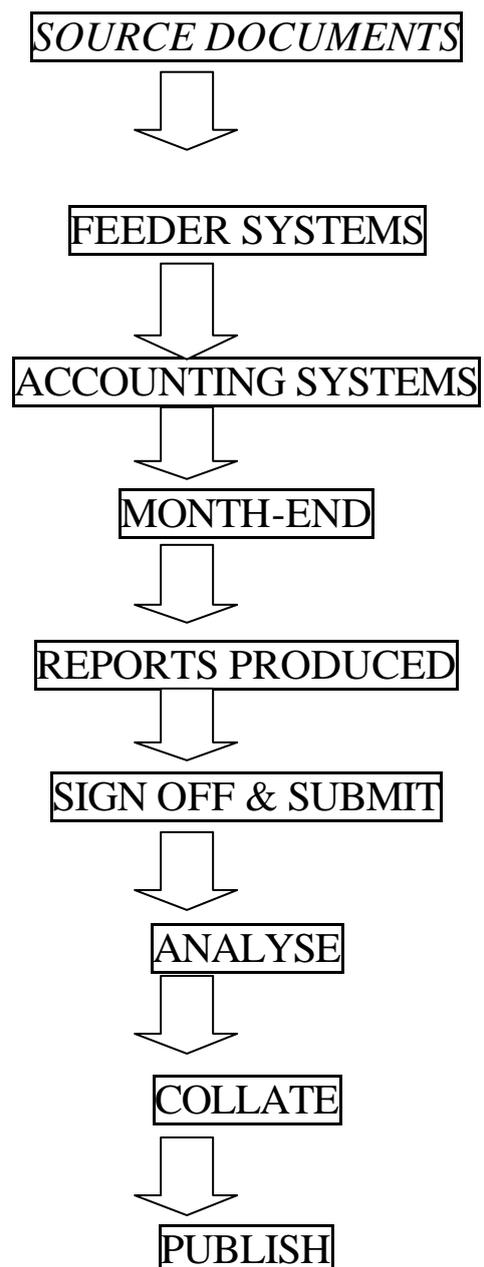
(3) The transfer of funds in respect of allocations for capital grants must be in accordance with a payment schedule determined by the national accounting officer responsible for that allocation after consultation with the Director-General, relevant provincial accounting officers and the head officials of the provincial treasuries concerned.

(4) Funds transferred to the provincial Revenue Fund or a municipal banking account for capital projects may not be used as collateral, pledge or any other form of security or for any other purpose other than the purpose set out in the transfer agreement.

Accounting Officer's Reporting Responsibilities

	Accounting officer must	When?	Reference
<i>Unauthorized and other expenditure</i>	Report, in writing, to the relevant treasury (and tender board in the case of irregular expenditure) particulars of unauthorised, irregular or fruitless and wasteful expenditure.	On discovery	S 38(1)(g)
<i>Under-collection or over-expenditure</i>	Report to the executive authority and the relevant treasury any impending: undercollection of revenue shortfall in budgeted revenue overspending of the vote or main division.	No specific time stipulated	S 39(2)(b)
<i>Financial statements</i>	Submit financial statements to the Auditor-General and the relevant treasury.	Within two months of the end of the financial year	S 40(1)(c)
<i>Annual reports</i>	Submit to the relevant treasury and executive authority: an annual report the audited financial statements the report of the Auditor-General.	Within five months of the end of a financial year	S 40(1)(d)
<i>Breakdown per month</i>	Provide the relevant treasury with a monthly breakdown of the anticipated revenue and expenditure for the financial year.	Before the beginning of the financial year	S 40(4)(a)
<i>Actual and anticipated figures</i>	Submit to the relevant treasury revenue and expenditure information for the preceding month and the budget for that month.	Within 15 days of the end of each month	S 40(4)(b)
<i>Projected figures</i>	Submit to the relevant treasury and executive authority a projection of expenditure and revenue for the remainder of the year an explanation of material variances the remedial actions taken to remain within budget.	Within 15 days of the end of each month	S 40(4)(c)
<i>Inability to comply</i>	Report to the relevant treasury and executive authority any inability to comply with the reporting requirements and the reasons for such failure.	Promptly	S 40(5)
<i>Other information</i>	Supply to the relevant legislature, treasury, executive authority and the Auditor-General any information, documents or explanations, as may be prescribed or required.	As regulated or required	S 40(1)(f) and 41
<i>Inventory</i>	When transferring assets and liabilities to another department, file a copy of the signed inventory with the relevant treasury and the Auditor-General.	Within 14 days of the transfer	S 42(3)
<i>Utilisation of saving</i>	Submit to the executive authority details of the exercise of virement.	Within seven days	S 43(3)
<i>Directive that will lead to unauthorised expenditure</i>	If any directive of an executive authority will result in unauthorised expenditure, file copies of the directive with the Auditor-General, national Treasury, and, in the case of a province, to the provincial treasury	Promptly	S 64(3)

A conceptual view of the process



Example of Month-end Procedures (ex Free State Province)

PROCEDURE IN RESPECT OF ACCOUNTING MONTHS ON FMS

1. BACKGROUND

The Department of State Expenditure issued an instruction to provinces to close accounting months on FMS before the 10th of the following month (this instruction accords with the Public Finance Management Act).

2. DISCUSSION OF ISSUES

2.1 FMS REPORTS

Departmental Accountants have access to FMS and can decide when to request FMS reports for follow-up and clearance.

The Department of Finance will in future only submit reports to Departmental Accountants after the closing of a particular month, together with a status report which will indicate transactions that were not cleared in time for month closing.

2.2 FMS TRANSACTIONS

Except for rectifications for the previous month (which are allowed up the 5th day of the following month) FMS transactions must be recorded for the specific month in which the FMS document is completed.

2.3 INTERFACE TAPES

PMG INTERFACE

This interface takes place twice each week, which means that by the 5th of the following month all transactions in respect of the bank account will be interfaced until the end of the previous month. A letter will be sent to ABSA to confirm this arrangement.

TELEPHONE INTERFACE

The telephone expenditure interfaces on a monthly basis and normally not later than the 20th of that month.

MEDPAS INTERFACE

The Medpas interface normally takes place not later than the 15th of the following month.

GG TRANSPORT INTERFACE

The Public Works, Roads and Transport Departmental Accountant must ensure that the interface takes place before the 15th of the month and that transactions are recorded in that specific month.

PERSAL INTERFACE

All Persal Interfaces are done before the 5th of the following month.

2.4 RECONCILIATION AND CLEARANCE OF INTERFACES PROCEDURE PMG

As the province has one PMG account, the interface together with the relevant report 0044 will be handed over to the Accounting Controller (Finance), for reconciliation, control and clearance of the PMG adjustment account. This action must be finalized before the 8th of the following month.

TELEPHONE

Arrangements will be made with the Department of State Expenditure to programmatically print report 0044 with each telephone interface. The interface together with the report 0044 will be handed over to the Accounting Controller (Finance) for reconciliation and control. Within 1 day, the Accounting Controller must provide the Departmental Accountants with a copy of the unallocated objective report, and this is to be cleared within 1 week. The Accounting Controller him/herself must ensure that the interface is reconciled and all transactions are correctly recorded before month end.

MEDPAS

The interface report as well as the report 0044 is handed over to the Departmental Accountant of Health immediately after receipt. Departmental Accountants must ensure that the reconciliation is completed and all unallocated expenditure is cleared before month end as well as that all calculated costs are allocated.

GG TRANSPORT

The interface report as well as the report 0044 is handed over to the Departmental Accountant of Public Works, Roads and Transport immediately after receipt. The Departmental Accountant must finalize within 1 week: the reconciliation; Issuing of claims where applicable; Calculation and recording of depreciation; Recording of calculated costs.

The Accounting Controller (Finance) will request the FMS Reports in respect of unallocated expenditure and provide it to all the Departmental Accountants for clearance before month-end.

PERSAL

The following arrangements will be made with the Department of State expenditure:

- To programmatically print report 0044 with each Persal interface
- The system must be changed to ensure that no back dated postings are allowed.
- The interface report with the report 0044 is handed over to the Persal Controller who must ensure that the reconciliation and control is done before month-end.
- The Persal Controller must provide all Departmental Accountants with their unallocated personnel expenditure reports, which must be cleared before month-end.

STANDARD STOCK

The manager of the Standard Stock Depot must ensure that journals in respect of all stock issues are captured before the 20th of the month.

ROAD COST

The Public Works, Roads and Transport Departmental Accountant must ensure that all journals in respect of the Road Cost System are captured by the 20th of the month.

2.5 LEDGER ACCOUNTS

The following ledger accounts need to be cleared to a zero balance each month:

Departmental Accountants	Centralized Accounts
Receipt Suspense Account	PMG Clearance Accounts
GG Transport Accidents Account	PMG Claims Payable Accounts
Journal-line Error Suspense Account	Persal Interface Control Account
Justice Sub-accountant Claims Account	Salary Transfer Control Account
Furniture Manufacturing Account	Recoverable Salaries Account
Special Functions: Cash Discount	Disallowance Control Account
Interresponsibility Clearance Account	Deduction Code Absent Account
	Debt Implementation Account
	Contract Breach
	Claims and Payovers
	Hospital Debt

ADVANCE ACCOUNTS

PETTY CASH

The balance for each office must reconcile with the approval for petty cash.

STANDING ADVANCES

Departmental Accountants must ensure that all officials indicated on the account still qualify for standing advances. If not the amount must be disallowed and recovered from the specific official.

ADVANCES TO DEPARTMENTS/INSTITUTIONS

This account must reflect a debit balance, approval must exist for the payment of the advance and the department/institution must still deliver a service to the specific department.

ADVANCES FROM DEPARTMENTS/INSTITUTIONS

This account must reflect a credit balance and must reconcile with the records of that specific department/institution.

DEPOSIT ACCOUNT (ABSA)

This account may not reflect any credit transactions, and all debits must be money in transit.

ORDERS PAYABLE

This account is the responsibility of the Department of Finance except for Social Security payouts. This account may not reflect any debit balances.

GENERAL SUSPENSE ACCOUNT

Every transaction on this account needs to be evaluated to determine if the amount is recoverable or still be allocated to the vote, and the necessary steps taken.

TRANSPORT AND SUBSISTENCE DEBT

This account must be evaluated monthly to ensure that Transport and Subsistence claims are submitted and outstanding amounts in respect of advances owed to the Government are recovered.

LOSSES ACCOUNTABILITY NOT DETERMINED

A transaction reflected on this account indicates that a loss has not been finalized: this should happen within one financial year.

GENERAL DEPOSIT ACCOUNT

This account may only reflect credit transaction balances and must be regularly evaluated to ensure that allocations are correct or, if applicable, that amounts are paid back to institutions.

UNAUTHORIZED EXPENDITURE ACCOUNT

All transactions on this account must be evaluated monthly. All issues reflected in Financial Control reports which have been rectified must also be rectified on this account. If any Ex Post Facto approvals are granted in respect of previous year's transactions, it is important to determine the original transaction to ensure that rectifications are done correctly. Please note that all transactions are not allocated to objective codes in the vote due to the fact that some transactions are reflected on the Exchequer Ledger Account.

FUNDS

The following accounts are centralized and the Accounting Controller must ensure that the monthly funds requisition as well as the actual funds received in respect of all votes are recorded correctly:

- General Account of the Vote
- Exchequer Ledger Account
- Funds Requisition Account

TRUST FUNDS

The Provincial Department of Finance will ensure that deposit and investment accounts are reconciled monthly. All interest received must be recorded and all money received must be invested.

TRIAL BALANCES

REVENUE

No debit balances are to be reflected against revenue items in the trial balance. Furthermore revenue items must be evaluated to identify any possible incorrect allocation of money received.

EXPENDITURE

No credit balances are to be reflected against expenditure items in the trial balance, and no expenditure may be reflected against any deleted FMS codes. Each Departmental Accountant must also verify that no expenses in respect of another vote is paid against their vote.

DEBTORS SYSTEM

All Departmental Accountants have to ensure that their accounts on the Debtors Subsystem of FMS are requested before the 5th of a month in respect of the previous month. All receipts/salary deductions must be allocated correctly before accounts can be requested.

2.6 OBJECTIVE CODES

UNALLOCATED OBJECTIVES

All expenditure against unallocated objective codes must be cleared monthly to ensure that zero balances are reflect before the 5th of the following month.

THEFT AND LOSSES

All objective and items in respect of thefts and losses must be evaluated and reconciled with the actual write-off of losses.

2.7 REPORT 0012

The Accounting Controller will provide report 0012 on a monthly basis to Departmental Accountants on the 15th and all authorization form code 1011 must be submitted to the Department of Finance not later than the 25th of the month to ensure that control and capture are completed.

2.8 CAPTURE OF FMS DOCUMENTS

It is important to note that all FMS documents must be handed to the data capturers at least 3 days before the different due dates to ensure that all information is captured and processed.

Financial Management System (FMS)

The tool utilised by the majority of departments for capturing and monitoring budgetary information is the 'Financial Management System' (FMS). An online budgeting facility is available, which can show the approved appropriation allocated by the relevant legislature. This facility allows for two years budgets to be captured and updated on the system (the current financial year, Y0; plus the forthcoming year, Y0+1). The original budget can be reflected separately from the adjustment budget, and the current budget figure is continuously be available for control purposes.

Reports available on FMS

- Report G001: Multi-year budget report – structure level (Departmental).
- Report G003: Multi-year budget structure report for responsibility manager.
- Report G002: Single year budget report on structure codes (Departmental).
- Report G004: Single year budget structure report – responsibility manager.

Profiles of Expenditure

Profiles of expenditure are month-by-month estimates of anticipated departmental expenditure, and the figures should reflect all likely charges against any Vote (or program) for any ensuing month.

An interface from the PERSAL system supplies an automatic projection of expenditure to FMS, based on the actual post establishment (any change to the PERSAL post establishment will result in an automatic change to FMS). Other non-personnel costs are maintained manually, based on item specific criteria. Projections can be created from an estimate, a budget, a previous trend or from a specific amount.

The following financial control facilities are available on FMS:

- Profiles of expenditure can be maintained and updated online on FMS, using various bases.
- Expenditure control reports are available, and carry monthly profiles.
- Personnel projections linked to the post establishment are maintained and updated via PERSAL.

The budget figure on the system plays a critical role in exception reporting. 'Plus' figures reflect a potential saving for the department, whilst a 'negative' figure reflects a potential overexpenditure.

The early identification of these variances is critical to expenditure management and to the requesting of additional funding.

Failure to maintain both the profile and budget figures will render the expenditure control report worthless. Because these figures can be maintained online, the results of changes can be viewed and/or updated immediately which enhances the decision making process.

Commitments

FMS will register, track, reduce and clear commitments that are processed via the periodic payment system. The newly released LOGIS procurement system enforces commitment of orders as standard procedure. Details of individual commitments are recorded on FMS by way of the unique order number and can, subject to the necessary approval, be amended to more accurately reflect the final expenditure. Managers who do not enforce the system committing of funds in their departments run the risk of over expenditure on the budget.

Financial Authorities

The facility of Financial Authorities on the FMS is in place to address those items of expenditure that are classified as column 2 items in the appropriation, or item values which by law cannot exceed the value at which they were appropriated. As payments are made for items in this category, FMS tracks the expenditure and produces exception messages when predetermined thresholds are reached. The system will not allow the value of a financial authority to be exceeded and so acts as a very secure mechanism in assisting the manager to maintain strict fiscal discipline.

Outstanding Payments

FMS includes a periodic payment system, which generates payments against certified orders, on the instruction of the Periodic Payment Controller. There are normally three frequencies of cheque generation in the periodic payment system, namely, weekly, two weekly and monthly, although orders are processed on a daily basis on the FMS without physical cheques being generated. These processed orders fall into the category of outstanding payments. This process ensures that strict control can be maintained over the drawings on the department's bank account, ensuring improved cash flow management.

Basic Accounting System

The Basic Accounting System (BAS) is used by a number of departments for monitoring and reporting on their budgets. The system provides information to ensure budgetary control on a continuous basis which is essential for ensuring effective expenditure and revenue control.

Reports available on BAS

- **Expenditure Control report** This report reflects the allocated budget of the current financial year for a specific activity, the expenditure to date, as well as the remaining part of the allocated, approved budget (Original budget allocation). This report can be used for expenditure control purposes, as well as for information purposes.
- **Expenditure for twelve months-report** This report reflects the actual expenditure per month, per Standard or sub-item level, for a twelve month period. It also provides information of actual expenditure per month, per specified category of expenditure. This information can then be used to project the expected expenditure, per month, for the remaining part of the year (Cash flow forecast).
- **Detail report** This report reflects detail of all transactions (expenditure) processed, per Standard and/or per sub-item, for specific activity. This information can be used to verify the correct allocation of expenditure, and to assess the actual expenditure as compared to the planned business operations for the activity at a given period of time (As per Operational plan).
- **Multi-year expenditure report** This report will reflect per activity, per standard item, the following information:
 - Expenditure for the Year 0-2, as per Appropriation report
 - Expenditure for the previous financial year, Y0-1
 - Budget allocation for the current financial year, Y0
 - Provisional budget allocation for the next financial year, Y0+1 (as per MTEF allocation)
 - Provisional budget allocation for the financial year, Y0+2 (as per MTEF allocation).

Personnel and Salary Administration System (PERSAL)

As personnel expenditure is the largest expenditure item in most departments' budget, it is imperative that it is monitored on a continuous basis, not only to ensure proper budgetary control but also to achieve the most efficient and effective utilisation of available staff.

Reports available on Persal

- **Report 3.3.20:** Human resource planning, Establishment administration

Posts with incumbents and vacancies

The approved post establishment for a specific activity, as per organisational structure, is reflected on this report. This (approved) post establishment is utilised as a basis to calculate the funding requirements in respect of personnel expenditure. This report provides information on the number of approved posts, the number of filled posts per rank (along with the detail of the incumbents), as well as the number of vacant posts per rank.

- **Report ST 1303:** Expenditure history

Expenditure per person

This report reflects for each individual on the (approved) post establishment of the activity, detail of his/her total salary package. The information is displayed per sub-item and will include employer contribution to the Stabilisation Fund.

- **Report 3.5.90:** Human resource planning, Estimates; Fixed establishment

Detail estimates for selected Persal numbers

This report reflects for a specific activity, projected expenditure per month, the current as well as subsequent two financial years. This information will summarise all personnel assigned to the specific post establishment.

- **Report SR 0039(1):** **Summarised statistics per rank code and notch**

This report reflects per rank, the number of personnel per salary notch, i.e. number of personnel on the first, second or third notches and will assist accounting officers to plan optimally their personnel expenditure.

LOGIS

FEATURES, FUNCTIONALITY AND CONTROL

LOGIS is a provisioning, procurement and stock-control system which is highly adaptable to the requirements of any department. The structure or primary components of the system enable it to be implemented in any store or depot situation.

LOGIS Features

Supply Chain Management Best Practice

LOGIS subscribes to sound supply-chain management best practice in providing for the classification of items by Pareto analysis, also known as the 80/20 principle, or the ABC classification method. This inventory management technique ensures optimum levels for the 20% of items in a store, which comprise 80% of the value of the store stock. The benefits of this are widespread, a few examples are:

- Reduced stock-holding cost
- Reduction of theft due to less stock-holding
- Reduced warehouse / store space, and related costs
- Identification and reduction of obsolete stock

Asset Management

LOGIS enables the recording and tracking of each serialised item (asset) within a store, thereby entrenching accountability and control. Items which are serialised are normally high-value, non-consumable items. These items are often issued to a sub-division or entity within the store, and should be returned to the store when no longer needed. LOGIS also enables asset verification, asset reporting and disposal of assets.

Batch Numbers

LOGIS controls batch-numbered items according to the expiry date of the item, ensuring a first-in, first-out issuing of batch items. Batch number warning reports are printed of stock reaching the expiry date.

FMS Interface

The LOGIS interface to the Financial Management System (FMS) enables automated payments, reduces double-payments, late payments, payment penalties, fraud and error opportunities, and brings greater control over expenditure.

Re-useability of Stock

LOGIS enables the transfer of excess stock from one store to another. These stock figures are available before placing an order to a supplier, thereby entrenching the re-useability of stock within government .

Management Reporting

The LOGIS Balanced Scorecard offers management a comprehensive view of the operations within all stores and departments on LOGIS, focussing on aspects of service delivery, cost-savings and continual improvement, as well as financial control.

Cataloguing

LOGIS offers an easy-to-use item catalogue, categorised according to logical item groupings known as the MIIN (Management Information Item Numbers).

Flexibility

LOGIS is adaptable and flexible in usage, enabling it to be implemented by diverse stores within Government. It has varying levels of control, offering the user flexibility in the usage and control of the system, according to the level of control required within their department / store. Only the low-level or base-functionality controls are prescribed and cannot be modified by the user.

LOGIS Functionality

Provisioning

LOGIS offers functionality to support the provisioning of stock via:

- Requests
- Request Consolidation (if required)
- Requisitioning
- Requisition Authorisation (if required)
- Stock Allocation (is required)
- Issuing

Procurement

LOGIS supports the complete Order-to-Cash process of procurement via:

- Generation of Procurement Advices
- Approval of Procurement Advices
- Consolidation of Procurement Advices (if required)
- Order Preparation
- Order Authorisation
- Receipt Handling

Financial Interface

LOGIS offers functionality to support the financial interface to the Financial Management System (FMS) via:

- Commitment of funds (upon order authorisation)
- Invoice capturing
- Credit Note capturing
- Payment Advice capturing
- Payment Advice Authorisation and Financial Approval
- Resubmission of Rejected Payments
- Back-dated Price Increases

Service Assessment

LOGIS offers on-line functions to assess the status of service provided to the end customer.

Stock-Take Functionality

LOGIS prompts stock-takes to occur when they fall due on various stock groupings. It performs automatic stock freezing and unfreezing during the stock-take period, and provides functionality to adjust stock balances according to stock-take balances.

Year-End Functionality

LOGIS provides year-closure functionality according to Treasury Instructions and offers automatic re-classification of items according to usage patterns, thereby ensuring end-to-end stock control.

Weapon and Machine Registers

LOGIS contains a register of all weapons and machines on inventory, as well as complete allocation information.

Bin Allocation

LOGIS provides bin-allocation, bin numbering and control for each item within a store.

On-Line Searches and Enquiries

LOGIS assists the user with data entry by providing easy-to-use searches all relevant data fields. LOGIS also offers many enquiry functions which give users access to vital information.

LOGIS Control

Government Logistic Policies

LOGIS complies with the Policies and Procedures specified by the National Treasury (Norms and Standards).

Stock Control

LOGIS provides control of stock through the management of inventory levels, thereby providing the right item to the requestor at the right time.

LOGIS Balanced Scorecard

The LOGIS Balanced Scorecard is a highly-successful strategic management and measurement tool, which translates the LOGIS vision and objectives into tactics, measuring across a balanced set of perspectives. Key performance measures are assessed monthly and communicated to all levels of users and management.

Data Integrity and Security

LOGIS provides solid data integrity and data security, and has full audit-trail capabilities.

Supplier Management

LOGIS tracks the delivery performance of suppliers, detailing the status of each delivery (under or over-delivery, late or early deliveries or partially delivery). This information can be used in the assessing and awarding of contracts to suppliers, as good supplier management is key to effective and efficient control.

EFT payments

LOGIS enables the automation of payments via Electronic Fund Transfer (EFT) to suppliers, thereby capitalising on payment discounts. Supplier banking details are automatically verified with data from various banks before payment is made to the supplier.

LOGIS Future Enhancements

Online Integration with the Basic Accounting System (BAS)

Online, real-time, seamless integration with the Basic Accounting System for operating accounts will enable commitment of funds, budget checking and blocking, automated payments and general expense control according to Generally Recognised Accounting Practices (GRAP) principles.

Training and Management Reporting

Training users in stock control techniques and benefits, in order to understand stock management, using LOGIS and the LOGIS Balanced Scorecard as a tool.

International Cataloguing Standards

The inclusion of the UNSPSC and EAN/UPC standards for cataloguing will facilitate easier stock redeployment, disposal, goods receiving, improve item and asset tracking and further enhance stock control capabilities.

PFMA-Compliance

The LOGIS system will be adapted according GRAP as defined in the Public Finance Management Act (PFMA).

Conditional Grants to Provinces

Monthly Report by Receiving Provincial Department to transferring National Department to Provincial Treasury

Division of Revenue Act 2000 - Section 7 (8)

Schedule 3A and 3C – (Grants spent by province directly, and not transferred to a municipality)

Grant _____ Province _____ Month _____
 Year _____

Financial Information

For the Month		Total Transfers and Expenditure To-date			Annual Allocation		Committed at end of Month	Projected Rollover
Received R'000	Spent R'000	Scheduled for Transfer R'000	Received R'000	Expenditure R'000	Budget R'000	Current Forecast R'000	R'000	R'000

Variiances: *If Current Forecast differs from Annual Allocation, then include here an explanation. Also identify any measures to be taken to rectify this.*

Variations: *If expenditure to date differs from amounts received, then include here an explanation. Also identify any measures to be taken to rectify this.*

Compliance Summary: *Include here summary information about how the municipalities are complying with the conditions of the grant.*

General Comments

I.....the accounting officer of the provincial department certify that I have ensured that funds have been used as agreed, and spent in accordance with the purpose and conditions of the grant as per requirements of Section 7(7) of the Division of Revenue Act.

.....

PROVINCIAL RECEIVING OFFICER

...../...../.....

(Note: This report must be completed and provided to the head official of the provincial treasury and to the transferring national officer within ten working days of the end of each month. Provincial Receiving Officer refers the Accounting Officer of the receiving department)

Conditional Grants to Provinces and Municipalities
Quarterly Report by Transferring National Department to National Treasury

Division of Revenue Act 2000 - Section 7 (10)

Schedule 3A, 3B and 3C – Grants to Provinces and Municipalities

Grant _____	National Department _____	Quarter _____		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Ending _____</td> <td style="width: 50%; padding: 5px;">Year _____</td> </tr> </table>			Ending _____	Year _____
Ending _____	Year _____			

Financial Information

Province/Municipality	For the Quarter		Total Transfers and Expenditure To-date			Annual Allocations		Committed end of Quarter R'000	Projected Rollover R'000
	Transferred R'000	Expenditure R'000	Scheduled for Transfer R'000	Transferred R'000	Expenditure R'000	Budget R'000	Current Forecast R'000		

Variance: *If Current Forecast differs from Annual Allocation, then include here an explanation. Also identify any measures to be taken to rectify this.*

Province/Municipality	Explanation of Variations and Measures

Variance: *If expenditure to-date differs from amounts transferred, then include here an explanation. Also identify any measures to be taken to rectify this.*

Province/Municipality	Explanation of Variations and Measures

Compliance Summary: *Include here summary information about how provinces/municipalities are complying with the conditions of the grant.*

General Comments on transfers and expenditure of this grant

I.....the national accounting officer certify that I have received reports from Receiving Provincial Officers or Receiving Municipal officers and certifying that funds have been used properly, accounted for, and spent in accordance with the purpose and conditions of the grant as per requirements of Section 7(7) of the Division of Revenue Act.

.....

TRANSFERRING NATIONAL OFFICER

...../...../.....

(Note: This report must be forwarded to the Director-General, Department of Finance, no later than the fifteenth working day after the end of the quarter.

Transferring National Officer refers to the Accounting Officer of the transferring national department)

