



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

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## **PRACTICE NOTE 6 OF 2009**

**TO:                    ACCOUNTING OFFICERS OF ALL DEPARTMENTS**  
**ALL PROVINCIAL ACCOUNTANTS-GENERAL**  
**ALL CHIEF FINANCIAL OFFICERS**

**RE:                   INTERIM FINANCIAL STATEMENTS**

**DATE:                1 OCTOBER 2009**

### **PURPOSE**

1. This practice note serves to inform all Accounting Officers (AO), Chief Financial Officer's (CFO) and Provincial Accountant's-General (PAG) of the implementation of Interim Financial Statements (IFS) for all national and provincial departments for the period starting 30 September 2009, and
2. To provide guidance to AO and CFO on the compiling and submission dates of IFS which are inter alia based on the National Treasury Departmental Reporting Framework Guide for the preparation of financial statements.

### **BACKGROUND**

3. Accountability and governance within the public sector needs to be strengthened. The state of government department finances as a whole is in a poor state when one considers the audit outcomes over the past few years.

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4. The following table summarises the audit outcomes over the last three years:

<b>Type of Audit Opinion</b>	<b>2008/09*</b>	<b>2007/08</b>	<b>2006/07</b>
Adverse	2	2	3
Disclaimer	4	4	5
Qualified	43	49	67
Financially unqualified (with other matters)	97	84	65
Financially unqualified (with no other matters)	7	14	13
Audit outstanding	3	0	0
<b>Total analysed</b>	<b>156</b>	<b>153</b>	<b>153</b>

\* Please note that the 2008/09 outcomes are preliminary numbers

5. The Auditor-General (AG) has, in his general report, highlighted the concern about the high level of accounting errors that are picked up and sometimes rectified during the year-end audit period.
6. The AG further states that one of the root cause for this situation is linked to the infrequent manner in which financial statements are prepared in government. The AG has suggested that the monthly in-year monitoring should also include the preparation and presentation of financial statements.
7. According to the AG's key indicators of good practice, departments have been providing financial statements on a timeous basis but the quality of the financial statements was poor due to the material corrections which were required during the audit process.
8. Therefore the introduction of IFS is aimed at improving the integrity and quality of financial information reported in financial statements, in particular disclosure notes, preparing departments for the transition to accrual accounting. In addition, the IFS will assist departments with the early detection of any problems that are likely to affect the preparation of the financial statements at year end.
9. In the private sector, the publishing of IFS is a standard practice. In public sector, accountability to taxpayers, creates an even greater need for transparency and regular feedback on results of the government entities, hence the need for regular reporting.
10. The Office of the Accountant-General (OAG) has, over the past year, communicated an intention to introduce IFS within the national and provincial sphere of government departments. This communication took place during the quarterly CFO forums, held at a national level, as well during the monthly PAG forums.
11. The departmental AFS template for 2009/10, as published on the OAG's website on 31 March 2009, was used as a basis for the IFS. Departments will therefore be familiar with the operations and layout of the IFS.

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12. Training on this template is not deemed necessary as it functions in the same way as the departmental Annual Financial Statements (AFS) template from the previous years, however assistance will be offered to departments on a needs basis.

## **PROCESS FOR 2009/10 FINANCIAL YEAR**

### **TIMELINES**

13. Department's will be required to complete the IFS for the period ended 30 September 2009. The IFS template must be submitted to the relevant treasury on or before 31 October 2009.

### **PREPARATION**

14. Departments are required to obtain their trial balances for the period from BAS after month end closure has been effected.
15. Arrangements have been made with LOGIS to ensure that all reports will be available for departments operating on this system. Please request as per usual arrangements.
16. Comparatives will be required for the IFS 2009/10 and these will be the annual figures as published in the 2008/09 AFS. Going forward for the IFS for 2010/11, six monthly year on year comparatives will be required and will be available from the previous IFS template (2009/10).
17. The population of the comparative figures has been automated in the IFS template. The comparative information will be downloaded from the final AFS template submitted to National Treasury on 31 July 2009, so departments are requested to have this document readily available. Departments must still ensure that the prior year figures disclosed are in agreement with their AFS for 2008/09.

### **SIGN OFF AND SUBMISSION**

18. The AO will be required to complete and sign the letter confirming accuracy and completeness. This letter is attached as **Annexure A**.
19. National departments are required to submit their IFS to the respective OAG representative allocated to them while provincial departments should submit their IFS to their respective PAG.

## **PROCESS GOING FORWARD**

20. Departments will be required to complete the IFS once for the 2009/10 financial year i.e. 30 September 2009.
21. For the 2010/11 financial year, departments will be required to complete the IFS for the periods ending:
  - a. 30 September 2010
  - b. 31 December 2010
  - c. 31 March 2011
22. For the financial years subsequent to 2010/11, departments will be required to complete the IFS on a quarterly basis i.e.
  - a. 30 June

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- b. 30 September
- c. 31 December
- d. 31 March

23. The above dates are the minimum requirements. Departments are encouraged to prepare these IFS as frequently as they deem necessary.

The OAG is committed to assist all departments in ensuring that the IFS process facilitates faithful, accurate and qualitative reporting. Your continued participation in the process is appreciated.

Kind regards

A handwritten signature in black ink, appearing to be 'S F Nomvalo', written in a cursive style.

S F NOMVALO  
ACCOUNTANT-GENERAL  
DATE: 1 October 2009

< Insert Departmental Letterhead >

**CONFIRMATION OF THE ACCURACY AND COMPLETENESS OF THE INTERIM FINANCIAL STATEMENTS SUBMITTED**

**TO:** .....<sup>1</sup> **DATE:** .....

**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2009**

I hereby acknowledge that the interim financial report (IFR) of .....<sup>2</sup>, have been submitted to the relevant treasury<sup>3</sup> as requested in Practice Note 6 of 2009.

I acknowledge my responsibility for the accuracy of the accounting records and the fair presentation of the interim financial report and confirm, to the best of my knowledge and belief, the following:

- the IFR have been prepared in accordance with modified cash basis of accounting and relevant guidelines specified / issued by the National Treasury.
- the IFR is complete and accurate.
- all amounts appearing on the IFR have been cast and cross-cast.
- the IFR is free from material misstatements, including omissions; and
- accounting estimates are reasonable in the circumstances.

Yours faithfully

\_\_\_\_\_  
**Accounting Officer**

<sup>1</sup> The letter should be addressed to national/provincial treasury.

<sup>2</sup> Insert the name of the department.

<sup>3</sup> Insert the relevant reference, for example for national and provincial treasury.