




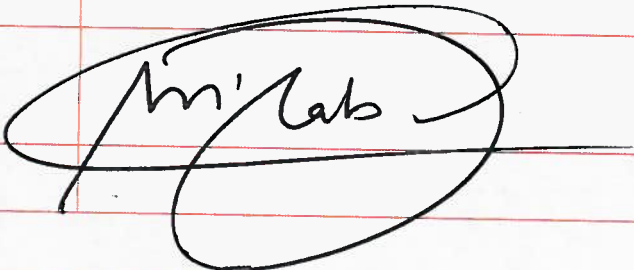
**public works**

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

## PROPERTY MANAGEMENT TRADING ENTITY

### ACCOUNTING AND FINANCIAL REPORTING POLICY

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Effective date:	01 April 2013
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# Accounting and Financial Reporting Policy

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# Accounting and Financial Reporting Policy

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## 1. Purpose and objectives

- 1.1. The purpose of this document is to provide the Property Management Trading Entity with a basis for accounting for financial information, minimum reporting requirements and preparation of Financial Statements to ensure compliance with standards of GRAP, PFMA requirements and Treasury Regulations.

## 2. Scope

- 2.1. This policy document covers transactions relating to Accounting and Reporting.
- 2.2. The policy applies to all divisions and functions within the PMTE, including Regions.
- 2.3. This policy supersedes all previous policies which were applicable to Accounting and Reporting.

## 3. Definitions

- 3.1. The terms included hereunder shall, unless the context indicates otherwise, have the meanings ascribed hereto:

- **Accounting Officer** is the Accounting Officer as defined in section 1 of the PFMA. The Accounting Officer of the PMTE is the Director-General of the Department of Public Works.
- **Accounting period** refers to a 12 months period of trading commencing on 1 April each year and ending on 31 March of the following year.
- **Act** refers to the Public Finance Management Act no 1 of 1999.
- **Accrual basis** means a basis of accounting under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.
- **Accounting policies** are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.



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- **Assets** are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
- **Consolidated financial statements** are the financial statements of an economic entity presented as those of a single entity.
- **Control** is the power to govern the financial and operating policies of another entity so as to benefit from its activities.
- **Date of authorisation for issue** is the date on which the financial statements are approved by management for issue to the executive authority. The audit opinion is provided on those finalised financial statements.
- **Department** refers to the Department of Public Works
- **Executive Authority** means the Minister for the Department of Public Works
- **Fair Value** refers to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arms' length transaction
- The **Head of the PMTE** means the Accounting Officer or his delegated official tasked with the responsibility of heading the operations of the PMTE.
- **Liability** is present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
- **Notes** contain information in addition to that presented in the statement of financial position, statement of financial performance, statement of changes in net assets and cash flow statement. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition in those statements.
- **Prior period errors** are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

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- was available when financial statements for those periods were authorised for issue; and
  - could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.
  - Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
- **Reporting date** means the date of the last day of the reporting period to which the financial statements relate – for the PMTE this date is 31 March.
  - **Revenue** is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
  - **A contingent asset** is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### 4. Legislative framework

- 4.1. The Public Finance Management Act ("PFMA") no 1 of 1999, Section 38(1) requires the Accounting Officer of a Department to ensure that the Department, trading entity or constitutional institution has and maintains an effective, efficient and transparent system of financial and risk management and internal control;
- 4.2. This document was developed in accordance with the requirements of the PFMA section 40 (1), (3), (4); the Treasury Regulations (sections 17, 18 and 19) and Standards of Generally Recognised Accounting Practise (GRAP).
- 4.3. The Property Management Trading Entity (PMTE) is a trading entity of the Department of Public Works (DPW) as defined by the PFMA. This Accounting Policy has been developed within the specific governance framework applicable to the Department.

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- 4.4. The PMTE must maintain its financial records and record transactions to conform to the Standards of Generally Recognised Accounting Practice (GRAP). Should the financial statements depart materially from these standards, the PMTE must include a disclosure in the financial statements about the standards with which there is non-compliance as per paragraph 5.10.3.

### **5. Policy statement**

#### **5.1. General background**

- 5.1.1. This section outlines the policies that are to be adopted by the PMTE to account for, record and report on financial transactions. These policies shall be used consistently by the entity.

#### **5.2. Roles and responsibilities**

- 5.2.1. Where the PMTE is headed by a delegated official, such delegated official shall be accountable to the Accounting Officer and must submit all reports or approvals required in the Act through the Accounting Officer of the department.
- 5.2.2. It is the responsibility of the PMTE's management to prepare the Financial Statements. The Accounting Officer is responsible for authorising the Financial Statements for issue. The process to prepare and authorise financial statements for issue shall be in accordance with the management structure, statutory requirements relating to the PMTE and the procedures prescribed in the PMTE accounting and reporting Standard Operating Procedure Manual (SOPM) for preparing and finalising the financial statements.

#### **5.3. Annual Financial Statements**

- 5.3.1. The PMTE must compile its Annual Financial Statements in accordance with Directive 9 issued by the Accounting Standards Board (ASB). These financial statements should be in compliance with standards of GRAP, unless otherwise approved by the National Treasury:

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5.3.2. A complete set of financial statements to be prepared by the PMTE shall include:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) Statement of Changes in Net Assets
- d) A cash flow statement;
- (e) Statement of comparison of budget and actual amounts;
- (f) notes (including disclosure notes), comprising a summary of significant accounting policies and other explanatory notes.

5.3.3. The annual financial statements must be accompanied by the audit opinion of the Auditor-General.

5.3.4. These annual financial statements must fairly represent the financial position and financial performance at the end of the financial year concerned and cash flows of the PMTE for the year then ended.

5.3.5. Should the annual financial statements materially depart from the Statements of GRAP, the financial statements must provide a disclosure of the departure, the particulars thereof, the reasons therefore and the financial effect of such a departure on the financial statements.

5.3.6. The annual financial statements must, by means of qualitative and quantitative disclosures (figures and a descriptive report), explain any other matters and information material to the affairs of the entity.

### **5.4. Recording of Transactions**

5.4.1. All valid transactions that have occurred must be recorded in the general ledger of the PMTE to ensure completeness and accuracy of financial information.

### **5.5. Going Concern**



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5.5.1. The Annual Financial Statements of the PMTE shall be prepared on the going concern basis.

5.5.2. Where there are uncertainties regarding the entity's ability to continue as a going concern, these uncertainties should be disclosed.

### **5.6. Internal Control**

5.6.1. The Accounting Officer must ensure that the PMTE maintains an efficient, effective and transparent system of internal control.

5.6.2. The internal control system in place must be designed to ensure that :

- All transactions are duly approved and authorised by the delegated officials in line with the approved Delegation of Authority;
- There is sufficient segregation of duties between recording of transactions and custody of assets;

5.6.3. All internal control measures and activities must be documented in operating procedures manuals for use by employees of the PMTE.

### **5.7. Accrual Basis of Accounting**

5.7.1. The PMTE shall use the accrual basis of accounting for recording and accounting for financial transactions. Financial transactions will therefore be accounted for when they occur and recognised in the period to which they relate and not only recognised when cash is received or paid.

### **5.8. Standard Chart of Accounts (SCOA)**

5.8.1. The PMTE must define its chart of accounts in such a manner that it complies with requirements of the standards of GRAP and enables the entity to complete and submit quarterly reports in compliance with National Treasury requirements.

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## 5.9. Changes to Financial Systems

- 5.9.1. The PMTE, as an entity under the control of the Department, may not amend existing or institute new computerised systems that will affect financial administration without the prior written approval of the National Treasury.

## 5.10. Reporting

- 5.10.1. **Monthly Financial Reporting** – The PMTE must submit monthly reports to the Accounting Officer to enable the department to report as required by section 40(4)(b) and (c) of the Act and in compliance with National Treasury requirements.
- 5.10.2. **Quarterly Reporting** – The PMTE shall submit on a quarterly basis to the Accounting Officer of the department inputs into the performance management reports as well as details of Commitments and Accruals for inclusion in the quarterly report in terms of draft Treasury Regulations.
- 5.10.3. **Annual Reporting** – The annual Financial Statements of the PMTE must conform to the Standards of Generally Recognised Accounting Practice (GRAP). Should the financial statements depart materially from the standards, the PMTE must include a disclosure of the departure in the financial statements.
- 5.10.4. The accounting officer must, in line with section 40 (1) (b), (d) of the Act:
- prepare Financial Statements for each financial year in accordance with Generally Recognized Accounting Practice;
  - submit those financial statements within two months after the end of the financial year to—
    - a) The Auditor-General for auditing; and
    - b) The National Treasury to enable that treasury to prepare consolidated financial statements;

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- must submit within five months of the end of a financial year to the National Treasury and Minister of Public Works:
  - a) An annual report on the activities of the PMTE during that financial year end,
  - b) The financial statements for that year after those statements have been audited; and
  - c) The Auditor-General's report on those statements.

### **5.11. Reporting on Budgets**

5.11.1. Where the financial statements and the budget are on the same basis of accounting, a comparison with the budgeted amounts for the reporting period shall be included in the financial statements.

5.11.2. Where the financial statements and the budget are not on the same basis of accounting, a reconciliation between the statement of financial performance and the budget shall be included in the financial statements.

### **5.12. Reporting period**

5.12.1. The PMTE must prepare and present its Financial Statements, at least annually. Where for any other business reasons, the PMTE's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, the PMTE shall disclose, in addition to the period covered by the financial statements:

- (a) The reason for using a longer or shorter period; and
- (b) The fact that comparative amounts for certain statements such as the statement of financial performance, changes in net assets, cash flows and related notes are not entirely comparable.

### **5.13. Materiality and aggregation**

5.13.1. A material item is an item which, if not disclosed, may lead to the users of financial statements taking a different decision than would have been taken

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had the item in question been disclosed. Materiality of any item shall be determined with reference to the nature and size of the item.

5.13.2. Individual items belonging to the same category in the financial statements shall not be aggregated but must be reported on separately.

5.13.3. Individual items belonging to the same category in the financial statements or dissimilar items may be aggregated ONLY if they are immaterial.

5.13.4. In terms of ISA 320, legislators and regulators are often the primary users of its financial statements in the case of public institutions and financial statements may be used to make decisions other than economic decisions. Therefore, the determination of materiality for the financial statements as a whole is influenced by law, regulation or other authority, and by the financial information needs of legislators and the public.

5.13.5. Determining materiality involves the exercise of professional judgment where a percentage is applied as a starting point in determining materiality for the financial statements as a whole. Some factors that should be considered in determining the appropriate benchmark include:

- a) The elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
- b) Whether there are items on which the attention of the users of the PMTE's financial statements tends to be focused (e.g. revenue or net assets);

5.13.6. In the case of the PMTE, revenue is considered the appropriate benchmark for determining materiality. This position should be reviewed annually to determine whether assets would be an appropriate benchmark in future, once custody of assets has been transferred to the PMTE and the fair value of assets has been established.

5.13.7. Materiality, in the context of the financial statements, shall be determined based on the total Revenue of the PMTE. Materiality value shall therefore be calculated at 0.05% of total annual revenue.



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### **5.14. Offsetting**

- 5.14.1. Assets and liabilities, revenue and expenses should be reported on separately and shall not be offset unless required or permitted by a Standard of GRAP.

### **5.15. Comparative Information**

- 5.15.1. Comparative financial information for the previous financial period shall be disclosed for all amounts reported in the financial statements and should be included for narrative and descriptive information when, it is relevant for understanding of the current period's financial statements, unless otherwise specified by a standard of GRAP.

- 5.15.2. Comparative amounts shall be reclassified when the presentation or classification of related items in the financial statements is amended, unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:

- (a) The nature of the reclassification;
- (b) The amount of each item or class of items that is reclassified; and
- (c) The reason for the reclassification.

- 5.15.3. When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) The reason for not reclassifying the amounts; and
- (b) The nature of the adjustments that would have been made if the amounts had been reclassified.

### **5.16. Departure from a Requirement in Standards of GRAP**

- 5.16.1. Where the PMTE; in its accounting and reporting; has made a material departure from a requirement of a Standard of GRAP and the Financial Statements part materially from these standards under paragraph.22 of GRAP 01, it shall disclose:

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- a) The nature of the departure;
- b) The reasons for the departure from GRAP standards; and
- c) The financial impact of the departure on financial statements;
- d) That management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
- e) That it has complied with applicable Standards of GRAP, except that it has departed from a particular requirement to achieve a fair presentation;
- f) The title of the Standard of GRAP from which the PMTE has departed, the nature of the departure, including the treatment that the Standard of GRAP would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements, and the treatment adopted; and
- g) For each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.

### **5.17. Consistent Presentation of Financial Statements**

5.17.1. The presentation and classification of items in the financial statements shall be retained from one financial period to the next unless:

- (a) It is apparent that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; or
- (b) A Standard of GRAP requires a change in presentation.

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### **5.18. Year End Preparations**

5.18.1. A guideline outlining procedures and steps to be completed by the various PMTE units and regions shall be developed through coordination between all finance functions and signed off by the Chief Financial Officer prior to distribution to the regions. This guideline should be distributed two months prior to year end and should; at least; include instructions relating to:

- a) Annual asset and Inventory count, with activities for updating and reconciling the asset register;
- b) Identification and collection of information relating to commitments and accruals;
- c) Identification of contingent liabilities and assets;
- d) Identification of prepayments for leases and property rates;
- e) Preparation of comparative information and opening balances;
- f) Identification of related parties and related party transactions;
- g) Year end reconciliation of control and suspense accounts;
- h) Identification of events after reporting date which require disclosure or adjustments to the financial statements;
- i) Compiling of working papers and audit files;
- j) Review of Draft Financial Statements by management;
- k) Process to be followed for correcting errors identified during the management and internal audit review;
- l) Analysis and response to the management letter issued by the Auditor-General.

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### **5.19. Account Reconciliation**

5.19.1. Reconciliation of control accounts must be performed at the end of each month, reviewed and signed off for approval by designated official.

### **5.20. Use of Clearing and Suspense Accounts**

5.20.1. The PMTE may make use of clearing and suspense accounts, in terms of Section 40(1)(a) of the PFMA] and Treasury Regulation 17.1.1 and 17.1.2, provided:

- a) All the transactions are supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.
- b) It is necessary, in exceptional cases, to account for revenue and expenditure transactions in a clearing or suspense account because the classification has not been resolved,

5.20.2. Where the PMTE uses Suspense Accounts, the Accounting Officer must ensure that:

- the sources of the transactions are readily identifiable;
- amounts included in clearing or suspense accounts are cleared and correctly allocated to the relevant cost centres on a monthly basis;
- monthly reconciliation's are performed to confirm the balance of each account; and
- reports are provided to the Accounting Officer about uncleared items on a monthly basis

### **5.21. Year-End Adjustment Journals**

5.21.1. Year end adjustment journals must be prepared, reviewed and authorised by designated official. All year end adjustment journals must be approved by the Director Financial Reporting before they can be processed in the accounting system.



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5.21.2. The person preparing a journal entry is responsible for reviewing any supporting documents and ensuring accuracy prior to preparation.

5.21.3. The person preparing a journal entry is responsible for providing the rationale for the journal entry, i.e. must provide narration.

### **6. Policy statement – Presentation of Financial Statements**

#### **6.1. Identification of financial statements**

6.1.1. The financial statements must be identified clearly as relating to the PMTE and distinguished from other information in the same annual report.

6.1.2. Each component of the financial statements must be identified clearly for the PMTE. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

- a) The name of the reporting entity (i.e. PMTE) or and any change in that information from the preceding reporting date;
- b) That the financial statements cover the individual entity;
- c) The reporting date or the period covered by the financial statements (e.g. for the year ended 31 March 2013), whichever is appropriate to the component of the financial statements;
- d) The presentation currency (i.e. Rand), as defined in the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates; and
- e) The level of rounding used in presenting amounts in the financial statements.

#### **6.2. Distinction between Current and Non-Current items**

6.2.1. The PMTE shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with GRAP 1 paragraphs .68 - .79 except when a presentation based on liquidity provides information that is reliable

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and more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of their liquidity.

6.2.2. The PMTE shall disclose the amount expected to be recovered or settled after more than twelve months, for each asset and liability line item that combines amounts expected to be recovered or settled within:

(a) No more than twelve months after the reporting date; and

(b) More than twelve months after the reporting date.

### **6.3. Current Assets**

6.3.1. An asset is classified as current when it satisfies any of the following criteria:

(a) it is expected to be realised in, or is held for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realised within twelve months after the reporting date; or

(d) it is cash or a cash equivalent asset (as defined in the Standard of GRAP on Cash Flow Statements) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

6.3.2. All other assets shall be classified as non-current.

### **6.4. Current Liabilities**

6.4.1. A liability shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the reporting date; or

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- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

6.4.2. All other liabilities shall be classified as non-current.

6.4.3. As a minimum, the face of the statement of financial position shall include line items that present the following amounts:

- (a) Property, plant and equipment;
- (b) Investment property, where applicable;
- (c) Intangible assets, where applicable;
- (d) Financial assets (excluding amounts shown under (e), (g), (h) and (i));
- (e) Investments accounted for using the equity method;
- (f) Inventories;
- (g) Other receivables from non-exchange transactions, including taxes and transfers;
- (h) Trade and other receivables from exchange transactions;
- (i) Cash and cash equivalents;
- (j) Taxes and transfers payable;
- (k) Trade and other payables from exchange transactions;
- (l) Provisions;
- (m) Financial liabilities (excluding amounts shown under (i), (k) and (l));
- (n) Net assets.

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### **6.5. Disclosures**

- 6.5.1. The PMTE is required to disclose the date when the financial statements are authorised for issue and the designation and name of the person who gave the authorisation as per GRAP14 Para 4.2.
- 6.5.2. The notes to the Annual Financial Statements must:
- (a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with GRAP 01 paragraphs.124-.131;
  - (b) disclose the information required by Standards of GRAP that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets or cash flow statement; and
  - (c) provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets or cash flow statement, but is relevant to an understanding of any of them.
- 6.5.3. Notes shall be presented in a systematic manner. Each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets and cash flow statement shall be cross-referenced to any related information in the notes.
- 6.5.4. The following must be included in the disclosures in the Annual Financial Statements:
- a) Disclosure of Accounting Policies
  - b) Events After Reporting Date
  - c) Related Party Transactions
  - d) Fruitless and Wasteful Expenditure
  - e) Irregular Expenditure
  - f) Contingent Liabilities and Unrecognised Contractual Commitments



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### **g) Accounting Estimates and Significant Judgements**

**6.5.5. The PMTE shall disclose in the summary of significant accounting policies:**

- (a) the measurement basis (or bases) used in preparing the financial statements; and**
- (b) other accounting policies that are relevant to an understanding of the financial statements.**

**6.5.6. Additional line items, headings and sub-totals shall be presented on the face of the statement of financial position when such presentation is deemed relevant to an understanding of the PMTE's financial position.**

**6.5.7. The PMTE shall disclose, either on the face of the statement of financial position or in the notes to the statement of financial position, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations**

**6.5.8. All items of revenue and expense recognised in a period shall be included in the surplus or deficit unless a Standard of GRAP requires or permits otherwise.**

**6.5.9. As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period:**

- (a) revenue;**
- (b) finance costs;**
- (d) surplus or deficit for the period.**

**6.5.10. When items of revenue and expense are material, their nature and amount shall be disclosed separately.**

**6.5.11. An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.**

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6.5.12. Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense, and employee benefits expense.

6.5.13. An entity shall present a statement of changes in net assets, showing on the face of the statement:

- (a) the surplus or deficit for the period;
- (b) each item of revenue and expense that, as required by other Standards of GRAP, is recognised directly in net assets, and the total of these items;
- (c) total revenue and expense for the period; and
- (d) for each component of net assets, the effects of changes in accounting policies and the correction of prior period errors recognised in accordance with the Standard on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 03).

6.5.14. The PMTE shall also present, either on the face of the statement of changes in net assets or in the notes:

- (a) the amounts of transactions with owners acting in their capacity as owners, showing separately distributions to owners;
- (b) the balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period; and
- (c) to the extent that components of net assets are separately disclosed, a reconciliation between the carrying amount of each component of net assets and each reserve at the beginning and the end of the period, separately disclosing each change.

### 6.6. Contingent Assets

6.6.1. In line with GRAP 19, the PMTE shall not recognise a contingent asset.

6.6.2. Contingent assets relate to unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the PMTE (e.g. a claim that

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the PMTE is pursuing through legal processes, where the outcome is uncertain).

6.6.3. Contingent assets shall not be recognised in financial statements since this may result in the recognition of revenue that may never be realised. However, when the realisation of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

6.6.4. Where an inflow of economic benefits or service potential is probable, the PMTE shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect, measured using the principles set out for provisions per GRAP 19.

6.6.5. Contingent assets must be assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue shall be recognised in the financial statements of the period in which the change occurs.

### **6.7. Notes**

6.7.1. An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see GRAP 01 paragraph 132), management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts of items recognised in the financial statements.

6.7.2. An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and

(b) their carrying amount as at the reporting date.

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6.7.3. An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:

- (a) the domicile and legal form of the entity, and the jurisdiction within which it operates;
- (b) a description of the nature of the entity's operations and principal activities;
- (c) a reference to the relevant legislation governing the entity's operations; and
- (d) the name of the controlling entity and the ultimate controlling entity of the economic entity (where applicable).

### **6.8. Events after Reporting Date**

6.8.1. The PMTE shall determine whether there are significant events that have occurred after reporting date and the date on which the financial statements are authorised for issue.

6.8.2. Adjusting events after the reporting date are those events that provide evidence of conditions that existed at the reporting date.

6.8.3. The PMTE shall adjust its amount(s) already recognised or recognise an amount that was not recognised previously in the financial statements where there is evidence that conditions relating to the amount existed at the reporting date.

6.8.4. Where judgement in a court case is given after year end, the impact of such judgement on Financial Statements must be taken into account to determine whether changes in measurements are required as well as to determine whether a provision should be recognised at the reporting date. The Financial Statements must be adjusted to reflect the change in measurement or the provision.

6.8.5. Where fraud, error and other irregularities are discovered after year-end, the Annual Financial Statements should be adjusted to include the impact of the



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occurrence. *Prior period adjustments should be effected where these irregularities date back to more than one financial year. (Per GRAP 3).*

- 6.8.6. Disclosures made in Financial Statements should be adjusted to reflect new information received after the reporting date, where this is required.
- 6.8.7. Non-adjusting events, which occurred after the reporting date, which are material and may influence the economic decisions of users of financial statements should be disclosed in the notes to the financial statements.
- 6.8.8. Where the PMTE enters into any significant commitments or contingent liabilities after year end, these must be disclosed in the financial statements as a non-adjusting event.
- 6.8.9. Where information is received after the reporting date about conditions existing at the reporting date, but before the financial statements are authorised for issue, disclosure should be made that relates to the new information and adjustments be effected where information is material.

### 6.9. Availability of Financial Information

- 6.9.1. The Accounting Officer must ensure that the entity retains all financial information in its original form, as follows:
  - (a) information relating to one financial year – for one year after the audit report for the financial year in question has been tabled in Parliament; or
  - (b) information relating to more than one financial year – for one year after the date of the audit report for the last of the financial years to which the information relates;
- 6.9.2. After the above expiry date, the financial information may be stored in an alternative format which ensures that the integrity and reliability of the data is still maintained. The PMTE should be able to reproduce the financial information should this be required by a court of law as permissible evidence.

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### 6.10. Retention of Accounting Records

6.10.1. The PMTE shall apply the following standards for the retention of these types of financial records:

Type of record	Years after which record can be disposed off
General ledger and cash books or similar records	15
Main transaction summary records, including general journals and transaction summaries  Internal audit reports  System appraisals	10
Primary evidentiary records, including copies of forms issued for value, vouchers to support payments made, pay sheets, returned warrant vouchers or cheques, invoices and similar records associated with the receipt or payment of money  Subsidiary ledgers, including inventory cards and records relating to assets no longer held or liabilities that have been discharged	5
Supplementary accounting records, including, for example, cash register strips, bank statements and time sheets	5
General and incidental source documents not included above, including stock issue and receivable notes, copies of official orders (other than copies for substantiating payments or for unperformed contracts), bank deposit books and post registers	5

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## **7. Implementation**

- 7.1.1. This policy shall be implemented through formal training for key users and on-going support by the process owner.
- 7.1.2. The Chief Financial Officer is responsible for ensuring that users understand the policy and comply with the requirements.

## **8. Non-compliance**

- 8.1.1. This policy has been prepared in terms of the requirements of the PFMA and Treasury Regulations.
- 8.1.2. Any deviation from the policy constitutes a misconduct which if identified, should be reported immediately to the Chief Financial Officer who should take the necessary corrective measures.

## **9. Responsibility**

- 9.1.1. The overall responsibility for adherence to this policy lies with the Accounting Officer .

## **10. Approval of the Policy**

- 10.1.1. This policy has been approved in terms of the delegation of authority by the Accounting Officer.

## **11. Review of policy**

- 11.1.1. The Accounting Officer with the support of Financial Planning and Reporting Directorate of the PMTE shall review this policy, at least, once annually to ensure that it enables the achievement of the PMTE's strategic priorities and complies with legislation and regulations.
- 11.1.2. Any request to amend the policy shall be approved by the Accounting Officer before it becomes policy.

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### 12. Acronyms

GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act, Act No. 1 of 1999, as amended
NDPW	National Department of Public Works
PMTE	Property Management Trading Entity
SCOA	Standard Chart of Accounts
SOPM	Standard Operating Procedure Manual
TR	Treasury Regulations issued by National Treasury, 2005