



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

Private Bag X115, Pretoria, 0001 Tel: +27 12 315 5111, Fax: +27 12 315 5234

Enquiries: E Labuschagne **Ref:** SX 8/1 **Tel:** 315-5781 **Fax:** 323-8247

e-mail: Lizette.Labuschagne@treasury.pwv.gov.za **Date:** 26 September 2001

ALL ACCOUNTING OFFICERS AND CHIEF FINANCIAL OFFICERS

OFFICE OF THE ACCOUNTANT-GENERAL PRACTICE NOTE 16 OF 2001:

**MANUAL FOR THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME
FUND**

ACCOUNTING PROCEDURES FOR THE RDP FUND

A Introduction

In terms of Section 6 of the Reconstruction and Development Programme Fund Act (Act number 7 of 1994) as amended, the Accountant-General is the accounting officer responsible for the administration of the RDP Fund. The Office of the Accountant-General has to manage the fund, keep a proper record of all the financial transactions, assets and liabilities of the fund, and annually prepare financial statements.

While donor funds do not form part of the National Revenue Fund, the aim of this Practice note is to standardise accounting procedures, code structures and/or the description of donor-supported projects in order to ensure conformity in accounting and reporting processes throughout government.

Separate Vote / Fund structures, (as described below), must be opened for RDP related projects and programmes within the accounting systems of departments.

The practice of recording and analysing donor-funded projects in separate suspense or control accounts, must be discontinued with immediate effect.

B Vote/Fund Structure

- One “RDP Grant Account”, and “General Account of the RDP” per donor must be maintained by every Department for RDP Fund purposes, in addition to the existing accounts for normal voted funds.
- Balances on the RDP Expenditure Accounts, as well as balances of the General Account of the RDP must close of to the RDP Grant Account at year-end closure.
- Any remaining funds should not be paid into the RDP Fund if it is subject to a technical assistance agreement, which provides for the funds to be retained.
- Opening journal procedures will therefore apply in these instances.

The Director: Financial Reporting Services in the National Accounting Office: National Treasury will be responsible for maintaining the Vote / Fund code list and will assist users in obtaining new codes. This is to ensure the standardized extraction of summarised information by donor country, project and programme across national and provincial departments.

The National Treasury will be responsible for the provision and maintenance of new codes / descriptions for projects. The available code structure for Objectives / Responsibilities / Items will be in the control of the departments and should be utilised to satisfy donor reporting requirements. Departments using BAS or FMS and who share the same General ledger with one or more departments (e.g. Free State: Provincial Government) will also be responsible for maintaining the Fund Code Structure.

C Accounting transactions

Scenario 1

Where RDP funds are received by the spending agency at the commencement of the project, the accounting transactions will be as follows:

1. Notification of Donation (available for relevant financial year)

RDP Grant Account: e.g. EU Fund
General Account of the RDP: e.g. EU Fund

Dr	Cr
x	x

2. Request for funds

Dr	Cr
----	----

Fund Requisition Account
RDP Grant Account: e.g. EU Fund

x	
	x

3. Transfer of funds from the RDP Fund

Departmental PMG Account (Bank account)
Deposit Account (FMS) / Adjustment Account (BAS)

Dr	Cr
x	
	x

4. Allocation of funds received

Deposit Account (FMS) / Adjustment Account (BAS)
Fund Requisition Account

Dr	Cr
x	
	x

5. Allocation of Expenditure payment

Expenditure Accounts
Orders Payable

Dr	Cr
x	
	x

6. Interface of debit on bank statement

Orders Payable
Departmental PMG Account (Bank account)

Dr	Cr
x	
	x

7. Closing of the financial year: with the total amount of the expenditure

RDP Grant Account e.g. EU Fund
Expenditure Accounts

Dr	Cr
x	
	x

8. Closing of the financial year: with the total of the donation received (Computer generated transaction)

General Account of the RDP: e.g. EU Fund
RDP Grant Account: e.g. EU Fund

Dr	Cr
x	
	x

9. Opening balance for the new financial year where the remaining amount was not surrendered

RDP Grant Account: e.g. EU Fund
General Account of the RDP: e.g. EU Fund

Dr	Cr
x	
	x

For all subsequent transactions during the new financial year the accounting transactions will be the same as number 1 to 8.

Scenario 2

Where donors require departments to fund RDP project expenditure and then submit claims for re-imburement, the accounting transactions will be as follows:

1. Allocation of Expenditure payment

Expenditure Accounts
Orders Payable

Dr	Cr
x	
	x

2. Interface of debit on bank statement

Orders Payable
Departmental PMG Account (Bank account)

Dr	Cr
x	
	x

Once the claim is submitted for re-imburement and the funds are received, the accounting transactions will be the same as number 1 to 4 as described under scenario 1.

Should the re-imburement amount still be outstanding at the end of the financial year, a computer generated transaction at the end of the financial year will result in the RDP Grant Account being in "overdraft". This "overdraft" will be cleared once the donation is received in the new financial year.

Scenario 3:

In the case where a project is completed the contract will determine whether interest and outstanding capital must be refunded or if such funds can be utilised for another project. If the contract does not clearly specify how these funds are to be dealt with, a confirmation must be obtained from the donor indicating the treatment of the interest and outstanding capital. To request these funds the donor's instructions must accompany the request for funds and National Treasury must be specifically instructed to close these projects.

The following steps must be taken to request outstanding capital and interest earned:

a) Unspent capital and interest to be utilised by the department

The accounting transactions will be the same as number 1 to 8 as described under scenario 1.

b) Unspent capital and interest to be returned to the donor

The accounting transactions are as follows:

1. Request for capital/interest

Fund Requisition Account
RDP Grant Account: e.g. EU Fund

Dr	Cr
x	x

2. Transfer of funds from the RDP Fund

Departmental PMG Account (Bank account)
Deposit Account (FMS) / Adjustment Account (BAS)

Dr	Cr
x	x

3. Allocation of funds received

Deposit Account (FMS) / Adjustment Account (BAS)
Fund Requisition Account

Dr	Cr
x	x

4. Refund of capital/interest

RDP Grant Account: e.g. EU Fund
Orders Payable

Dr	Cr
x	x

5. Interface of debit on bank statement

Orders Payable
Departmental PMG Account (Bank account)

Dr	Cr
x	x

D1 System procedure for Departments using FMS

1.1 Identification of Donors (Vote/Fund)

(a) FMS departments not sharing General Ledger

The designated Vote / Fund code list is attached as **ANNEXURE A**. The FMS Project will maintain these codes. These code structures were copied to all FMS departmental databases with a status indicator of "Deleted". The user will have the option to activate these codes, using the normal code file maintenance processes. The following functions will be available to users: DELETE, INQUIRIES and RE-INSTATE. No other changes will be allowed on this specific structure.

(b) FMS departments sharing General Ledger

The designated Vote / Fund code list is attached as **ANNEXURE A**. The Vote / Fund structure will be utilised for this identification, but is under the control of the FMS system controller. The system controller of each department must ensure that the standard descriptions contained in **ANNEXURE A** are used when opening a Vote / Fund structure. The user support team will assist users in ensuring standard descriptions as contained in **ANNEXURE A**.

1.2 Identification of Projects

The designated Project List is attached as **ANNEXURE B**. The FMS project will maintain these codes. These code structures were copied to all FMS departmental databases with a status indicator of "Deleted". The user will have the option to activate these codes, using the normal code file maintenance processes. The following functions will be available to users: DELETE, INQUIRIES and RE-INSTATE. No other changes will be allowed on this specific structure.

1.3 Securing the use of standard codes

The Objective create program has been changed to validate when an Objective collation code is coupled to an Objective structure with a vote reference 96xx, a project code must be included. This validation implies that a project code must be instated before an Objective collation code can be created.

1.4 Budget Allocations

The FMS provides for two methods of budget allocations *i.e.* the Bottom-up, and Top-down methods. For the purpose of allocating budgets for the abovementioned codes, only the Top-down method can be used.

New donors or projects for which codes do not exist should be brought to the attention of the Director: Financial Reporting Services.

D2 System procedure for Departments using BAS

2.1 Identification of Donors

The designated Vote / Fund code list is attached as **ANNEXURE A**. The Vote / Fund structure will be utilised for this identification, but is under the control of the BAS system controller. The system controller of each department must ensure that the standard descriptions contained in **ANNEXURE A** are used when opening a Vote / Fund structure. The user support team will assist users in ensuring standard descriptions as contained in **ANNEXURE A**.

2.2 Project Codes

The designated Project List is attached as **ANNEXURE B**. Objective codes will be utilised to identify projects in the BAS environment, but are under the control of the BAS system controller. The system controller of each

department must ensure that the standard descriptions contained in **ANNEXURE B** are used when opening an Objective structure. The User Support team (USP) will assist users in ensuring standard descriptions as contained in **ANNEXURE B**.

D3 Procedures for Departments not using FMS or BAS

3.1 Identification of Donors

The designated Vote / Fund code list is attached as **ANNEXURE A** and must be utilised for identification of the related data. The system controller of each department must ensure that the standard descriptions contained in **ANNEXURE A** are used to facilitate that the electronic data downloaded to the Vulindlela warehouse is correct.

3.2 Project Codes

The designated Project List is attached as **ANNEXURE B** and must be utilised for identification of the related data. The system controller of each department must ensure that the standard descriptions contained in **ANNEXURE B** are used and must inform the Office of the Accountant-General: "Vulindlela" Division as to the relevant code structure that should be read when data is electronically submitted to the data warehouse.

E Request for RDP funds

The implementing agency's Chief Financial Officer must sign the RDP Fund requisition form attached as **ANNEXURE C** and submit it to the Office of the Accountant-General (for attention Director: Financial Reporting Services, National Treasury). The requisition form is the authorisation instructing the Accountant-General to make a transfer payment to the implementing agency. This step is an essential requirement to ensure proper financial and internal control. The requisition form has to be completed in accordance with the provisions of the technical assistance agreement governing financial management. The requisition form must be delivered to the Office of the Accountant-General before disbursement are effected and no faxes will be accepted as authorisation for processing.

F Financial reporting requirements

Reporting on the individual financial systems will be restricted to reporting per user department. The data warehouse "Vulindlela" will manage the consolidated reporting by donor country or project across departments. To enable Vulindlela to set up the mapping tables, the donor and project code lists as maintained for the FMS departments must be used as the standard. To identify data from BAS and other financial systems mapping tables must be drawn to these specific tables. The responsibility to ensure that data maps to the designated donor and project lists is with the system controllers.

G Annual Financial Statements and Auditing

The requirements of the RDP Fund and the format of the financial statements will be distributed to Spending Agencies in a separate practice note. However the Technical Assistance Agreements may require additional reporting which must be strictly adhered to by Spending Agencies.

H Implementation date

- 1.1 The implementation date for the above procedure is 1 April 2001.
- 1.2 The necessary journals must be passed in the books of the Spending Agency to ensure that the above procedures are complied with for all funds received between 1 April 2001 and 30 September 2001.
- 1.3 For all projects in progress as at 31 March 2001 and which were accounted for by means of suspense accounts the following should be done.
 - 1.3.1 The balance of the suspense account at 1 April 2001 must be cleared by a journal.

1. Notification of Donation (available for relevant financial year)

RDP Grant Account: e.g. EU Fund
General Account of the RDP: e.g. EU Fund

Dr	Cr
x	x

2. Clearing of the suspense account

Suspense Account
RDP Grant Account: e.g. EU Fund

Dr	Cr
x	x

- 1.3.2 The procedures outlined in this manual must be utilised for all funds received and payments made from 1 April 2001.

Regards


I A MAMOOJEE
ACCOUNTANT-GENERAL

DATE: 9 October 2001