



treasury

Department:
Treasury
PROVINCE OF KWAZULU-NATAL

Treasury House
145 Chief Albert Luthuli Road
Pietermaritzburg
3201
P.O Box 3613
Pietermaritzburg
3200
Tel: +27 (0) 33 897 4435
Fax: +27 (0) 33 342 3837
www.kzntreasury.gov.za

PROVINCIAL TREASURY

STANDARD OPERATING

PROCEDURE GUIDELINE ON

INTER-DEPARTMENTAL ACCOUNTS

INDEX

1. Purpose
2. Definitions
3. Legislative Framework
4. Scope
5. Claims Recoverable Account
6. Appointment of IDA and responsible officials
7. Service Level Agreement between Receiving Department and Supplying Department
8. Accounting Requirements
9. Compliance Checklist

ANNEXURES

Annexure A: Process Flow: Recovery of IDA Payments

Annexure B1: Procedural Framework for Inter-Departmental Accounts: Supplying Department

Annexure B2: Procedural Framework for Inter-Departmental Accounts: Receiving Department

Annexure C: Confirmation of IDA Balances

Annexure D: Reporting Requirements

Annexure E: IDA Claim Form

Annexure F: Spreadsheet: Claims Recoverable

Annexure G: Spreadsheet: Claims Payable

Annexure H: Compliance Checklist: Inter-Departmental Accounts

1. PURPOSE

- 1.1 The purpose of this Provincial Treasury Standard Operating Procedure Guideline is to define processes and procedures relating to Inter-Departmental Accounts and ensure compliance with regulatory prescripts and uniformity in application of financial norms and standards.
- 1.2 This Provincial Treasury Standard Operating Procedure Guideline must be read in conjunction with Provincial Treasury Instruction Note No. 1: Inter-Departmental Accounts.
- 1.3 In the event of any inconsistency between this Provincial Treasury Standard Operating Procedure Guideline and related government legislation, such legislation prevails.

2. DEFINITIONS

In this Provincial Treasury Standard Operating Procedure Guideline, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the PFMA and the National Treasury Regulations, has the same meaning; and-

“Accounting Officer” means the person referred to in Section 36 of the PFMA;

“BAS” means the Basic Accounting System used by the KwaZulu-Natal Provincial Administration;

“CFO” means the Chief Financial Officer referred to in Chapter 2 of the National Treasury Regulations;

“Delegated official” means the official who is given the authority for relevant functions in terms of the department’s written delegations;

“Emergency” means a situation where immediate action is necessary to avoid a dangerous or perilous condition or risky situation or misery or defect, provided that the situation couldn’t be predicted and was not expected to happen;

“IDA official” means the appointed Inter-Departmental Account official responsible for managing the overall recovery and payment of inter-departmental claims;

“Inter-departmental balance” means the amount due to or from a department at month-end arising from one or more inter-departmental transactions;

“Inter-departmental transaction” means a transaction that occurs when one department provides a good or service to or for another department for a fee, on a cost recovery basis;

“*Invoice*” means the standard documentation used to communicate expenses that have been paid for by the Supplying Department on behalf of the Receiving Department and is a formal request for payment;

“*Matching field*” means the special attributes that uniquely identify items on BAS used for reconciliation;

“*PFMA*” means the Public Financial Management Act (Act 1 of 1999);

“*Receiving (Expensing) Department (Debtor)*” means the department which incurs the expenditure and records it against the allocated budget in its accounting records;

“*Responsibility Manager*” means the official who is responsible for an organisational unit in a department;

“*Responsible official*” means the official responsible for goods and services purchased for inter-departmental transactions;

“*SLA*” means a formal written agreement; known as a Service Level Agreement entered into between departments and signed by the relevant Accounting Officers;

“*Standard Operating Procedure (SOP)*” means the method of functioning that has been established over time to execute a specific task or react to a specific set of circumstances or situation or process. Standard operating procedures document the normal or accepted methodology and help form the basis for evaluating conformance with the regulatory framework;

“*Supplying (Paying) Department (Creditor)*” means the department which pays expenses on behalf of the Receiving Department and must be reimbursed by the Receiving Department; and

“*Treasury Regulations*” means the instructions and regulations issued by National Treasury in terms of Section 76 of the PFMA.

3. LEGISLATIVE FRAMEWORK

3.1 Public Financial Management Act

Section 38(1)(c)(i) and 38(1)(f).

3.2 National Treasury Regulations

Paragraph 17.1.1; 17.1.2(a); 17.1.1(c); and 17.1.2(d).

4. SCOPE

- 4.1 This Provincial Treasury Standard Operating Procedure Guideline must be applied in accounting for inter-departmental transactions except for those listed in subparagraph 4.3 below.
- 4.2 This Provincial Treasury Standard Operating Procedure Guideline must be applied to:
- a) Salary-related claims being transferred from one department to another;
 - b) Interdepartmental transactions between departments within the province of Kwa-Zulu Natal; and
 - c) Interdepartmental transactions with another department in a different province or with a national department.
- 4.3 This Provincial Treasury Standard Operating Procedure Guideline specifically excludes:
- (a) The receiving of revenue by one department on behalf of another department;
 - (b) Transactions between responsibilities within a department;
 - (c) Transactions between departments and public entities; and
 - (d) Transactions between departments and municipalities.

5. CLAIMS RECOVERABLE ACCOUNT (CRA)

- 5.1 As per the BAS Standard Chart of Accounts (SCOA) each department is billed via the claims recoverable accounts. These accounts are normal debtor accounts that may carry balances at month and/or year-end.
- 5.2 The claims recoverable account comprises two matching fields; matching field 1: "Miscellaneous" and matching field 2: "Claim Number". It is recommended that matching field 1 includes the applicable department, year/month and description of the claim for identification and reconciliation purposes.
- 5.3 A detailed spreadsheet (Annexure F) must be maintained of all claims for control purposes and to maintain a proper audit trail. The spreadsheet must be reconciled monthly and must balance to the amount reflected on the trial balance and the claims recoverable account. Any discrepancies must be investigated and resolved prior to the closure of the applicable accounting month, to facilitate accurate and complete information for financial year-end closure.

6. APPOINTMENT OF IDA AND RESPONSIBLE OFFICIALS

- 6.1 The Accounting Officer or delegated official of each department must designate an official, in writing, who will be responsible for managing the overall recovery and/or

payment of inter-departmental monies and the department's Claims Recoverable Account (CRA). This official will be known as the Inter-Departmental Account (IDA) official.

- 6.2 Further, where an organisational unit in a department has any bearing on the purchase or receipt of goods and services as envisaged in these instructions, the responsibility manager for such a unit must designate a responsible official in writing. This responsible official must manage the process for the unit and liaise with the official appointed in terms of subparagraph 6.1 above to ensure the timely discharge of the unit and, ultimately, the Department's responsibilities in this regard.
- 6.3 An updated list of all departments IDA officials must be maintained by the IDA or delegated official to facilitate the payment/recovery of IDA claims.

7. SERVICE LEVEL AGREEMENT BETWEEN RECEIVING DEPARTMENT AND SUPPLYING DEPARTMENT

- 7.1 A formal written agreement, known as a service level agreement (SLA) **must** be entered into between departments and signed by the relevant departmental Accounting Officers before any goods or services may be purchased by the Supplying department.
- Take Note: This prerequisite does not apply to salary related claims being transferred from one department to another.
- 7.2 The SLA must be as comprehensive as possible to prevent any possible misunderstanding and disagreements. This is of particular importance when the relationship between departments is over an extended time period.
- 7.3 The SLA must stipulate, but is not limited to:
- Goods and/or services to be delivered/provided as well as its quantity and quality;
 - Service delivery expectations with regard to turnaround times or response times;
 - The expected time period over which the receipt of the goods and/or services would occur and the subsequent invoicing thereof;
 - The format of expensing and payment processes along with the departments' role players, such as the IDA official, responsible officials and delegated authorities;
 - The basis of expensing allocations, where applicable, amongst the Supplying department and the Receiving department and the estimated costs; and
 - The process to be followed to resolve disputes that may arise between the Supplying department and the Receiving department, with due regard to Annexure B1- paragraph 6.

- 7.4 Goods and/or services may only be purchased by a Supplying department without a SLA in place, in contravention of subparagraph 7.1 above, in cases of emergency and with the written consent of all the relevant Accounting Officers.
- 7.5 Before any payment is effected in respect of invoices received from suppliers, and for payments done on behalf of another department, the delegated official must ensure that the transaction is in accordance with an inter-departmental SLA, unless subject to paragraph 7.4 above.
- 7.6 Departments must ensure that funds are available prior to committing to inter-departmental agreements, as non-payment for goods or services rendered due to a lack of funds is not deemed an acceptable or legitimate reason. This is furthermore a contravention of Treasury Regulation 8.2.3.

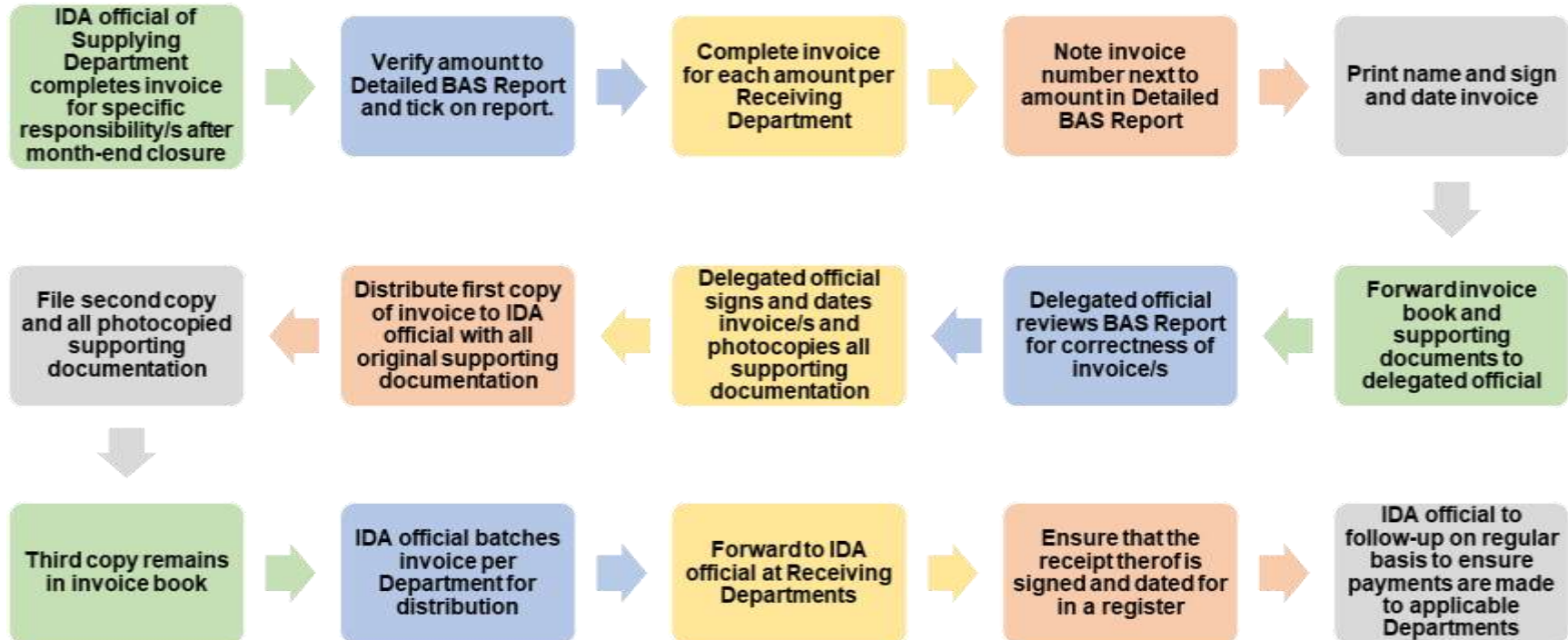
8. ACCOUNTING REQUIREMENTS

- 8.1 Inter-Departmental Accounts must be accounted for as per the GRAP Accounting Manuals issued annually by National Treasury.

9. COMPLIANCE CHECKLIST

- 9.1 Compliance checklists ensure consistency in application of procedural requirements and financial norms and standards and facilitate compliance monitoring with regulatory requirements, policy and procedural frameworks.
- 9.2 The compliance checklist, attached as Annexure H, should be implemented or adapted, where applicable, to support departmental requirements.

PROCESS FLOW: RECOVERY OF PAYMENTS PROCEDURE



ANNEXURE B1

PROCEDURAL FRAMEWORK FOR INTER-DEPARTMENTAL ACCOUNTS				
SUPPLYING (PAYING) DEPARTMENT (CREDITOR)				
	Task	Process	Responsibility	Comment
1.	Recovery of Payments.	<ul style="list-style-type: none"> • The recovery of payments is initiated by the Supplying Department. • The IDA or delegated official completes an invoice for each amount per Receiving Department, as per the pre-printed IDA invoice (Annexure E) or electronic invoice. • The BAS Matching Report must be downloaded on the 1st working day after month-end closure. • Verify that the amount on the supporting documentation corresponds with the BAS Detailed Report and indicate as such on the report. • The invoice number must be indicated next to applicable amount in the report. <ul style="list-style-type: none"> ▪ The IDA or delegated official responsible for completing the IDA form must print his/her name and sign and date the invoice. 	IDA or delegated official.	<p>Refer to Annexure A: Process Flow: Recovery of Payments Procedure</p> <p>Refer to Annexure E: IDA Invoice</p>

		<ul style="list-style-type: none"> ▪ The invoice book and supporting documentation must be forwarded to the delegated official responsible for reviewing and approving the IDA claims. 		
2.	Review and Approval of IDA Claims.	<ul style="list-style-type: none"> ▪ The delegated official must review the completeness and validity of the invoice/s (Claim/s) and supporting documents and the Detailed BAS Report. ▪ The invoice must be signed and dated once validated. ▪ Copies must be maintained of all supporting documents, including the claim form, general journal and Detailed BAS Report for reference and audit purposes. 	Delegated official.	
3.	Distribution of Invoices.	<ul style="list-style-type: none"> ▪ The delegated official must distribute the invoices as follows: <ul style="list-style-type: none"> <u>First copy</u> ▪ Remove the 1st copy from the invoice book and attach all supporting documents, including a copy of the BAS journal. ▪ The invoice and BAS report must be forwarded to the IDA official. <u>Second copy</u> ▪ Remove the 2nd copy from the invoice book 	Delegated official.	

		<p>Supplying Department.</p> <ul style="list-style-type: none"> • The register must be updated as required by the IDA officials of the Receiving Department and the Supplying Department for reference and audit purposes. • Regular follow-ups must be conducted to ensure the Department is reimbursed in accordance with the terms of the SLA. 	IDA official of Supplying Department	
5.	Notification of Outstanding Balances.	<ul style="list-style-type: none"> • The IDA official of the Supplying Department must inform the IDA official of the Receiving Department of outstanding claims recoverable balances monthly. • The IDA official of the Supplying Department must ensure that all outstanding balances reflect all relevant transactions as at the specified date. 	IDA official of Supplying Department.	Refer to Annexure G: Claims Payable.
6.	Disputed Transactions.	<ul style="list-style-type: none"> • Disputed transactions relating to IDA invoices must be queried in writing within ten (10) working days of the receipt of the invoice. • The reason for the enquiry/dispute must be clearly indicated. • Disputes must be settled within fifteen (15) working days of lodging the dispute. • Where significant amounts are involved, the 	IDA or delegated official.	

		<p>Provincial Accountant-General within the Provincial Treasury must be approached to act as mediator in the event of a dispute between departments within the Province, which remains unresolved after the expiry of the timeframe as indicated above.</p>		
7.	<p>Transactions between departments within the Province.</p>	<ul style="list-style-type: none"> • If a transaction is not disputed, it is acknowledged that the claim has been verified as correct by the Receiving Department and must be settled within 30 days from the receipt of the claim. • If claims are not settled within the above prescribed period, the CFO of the Supplying Department must request in writing that the CFO of the Receiving Department settles the outstanding claim/s. • If such claims are not settled by the receiving Department within a maximum period of ninety (90) days subsequent to the receipt of the written request, the CFO of the Supplying Department must submit a written request to the Provincial Treasury Banking Section to “<i>recover</i>” the amount from the Receiving Department. 	<p>IDA or delegated official.</p> <p>CFO of Supplying Department.</p>	

		<ul style="list-style-type: none"> ▪ The written request must include the initial written request sent to the Receiving Department requesting payment and a validated age analysis schedule of outstanding amounts. 		
8.	Manual Credit Transfer.	<ul style="list-style-type: none"> • Once the transaction has been effected by the Provincial Treasury Banking Section, the delegated official within the Banking Section or designated component of the Receiving Department must capture a payment as a Manual Credit Transfer (MCT) to record the details on BAS. • The transaction will programmatically debit the relevant expenditure allocation (Vote) and credit the <i>“BAS Credit Transfer Account”</i>. • A serial number swap must be affected on BAS to resolve the above transaction online to debit the <i>“BAS Credit Transfer Account”</i> and credit the <i>“Bank Adjustment Account”</i>. 	Delegated official in designated component in Receiving Department.	
9.	Clearance of Bank Reconciliation Exceptions.	<ul style="list-style-type: none"> • The delegated official within the Banking Section or designated component of the Supplying Department must clear the transaction that has programmatically interfaced as a credit to the Bank 	Delegated official in delegated component in Supplying Department.	

		<p>Reconciliation Exception Report.</p> <ul style="list-style-type: none"> The transaction must be resolved on BAS to the “<i>Bank Adjustment Account</i>”, and a general journal processed as follows: DR: Bank Adjustment Account CR: Claims Recoverable Account 		
10.	Monthly Reconciliation.	<ul style="list-style-type: none"> A monthly reconciliation must be undertaken to ensure that all transactions processed into the “Claims Recoverable Account” are correct and balance back to the supporting documents. On the 1st working day of each month the delegated official must download a Claims Recoverable Detailed BAS Report for the respective responsibilities for the preceding month. The report must be verified to confirm that all amounts have been captured correctly and all amounts received correctly allocated. Any identified discrepancies must be investigated and resolved, as per paragraph 6 of Annexure B1. A summary of the transactions for the month together with each transactions’ status must 	IDA or delegated official in Supplying Department.	

		be forwarded to the IDA official for his/her further attention.		
11.	IDA claims with a department in a different Province or with a National Department.	<ul style="list-style-type: none"> • If the transaction is not disputed and no tangible progress has been made within 30 days after the receipt of the claim, the following recovery steps are recommended: <ul style="list-style-type: none"> ▪ A first letter requesting settlement from the Chief Financial Officer of the Supplying Department must be sent to the Chief financial Officer of the Receiving Department. ▪ Should no tangible progress be made after thirty (30) days from the receipt of the first letter, a second letter requesting settlement from the Accounting Officer of the Supplying Department must be sent to the Accounting Officer of the Receiving Department. • Should no tangible progress be made within a maximum period of ninety (90) days, a written request must be submitted to Provincial Treasury to pursue the matter with the relevant treasury. • The written request submitted to the relevant treasury, as indicated above, must include all relevant correspondence, including all written 	Refer to PFMA section 6(2)(b) and (f).	

		<p>requests submitted to the Receiving Department and a validated age analysis schedule of outstanding amounts.</p> <ul style="list-style-type: none">• Where significant amounts are involved in the case of inter-departmental claims with a department in another Province, or with a National Department, a written request must be submitted to Provincial Treasury to pursue the matter with the relevant treasury.		
--	--	---	--	--

ANNEXURE B2

PROCEDURAL FRAMEWORK FOR INTER-DEPARTMENTAL ACCOUNTS				
RECEIVING (EXPENSING) DEPARTMENT (DEBTOR)				
	Task	Process	Responsibility	Comment
1.	Receipt of IDA Claims.	<ul style="list-style-type: none"> Invoices for IDA claims from the Supplying Department must be hand delivered directly to the IDA official of the Receiving Department. The claim/s must be stamped as "Received" and dated. A register of IDA claims delivered and received, together with signatures and dates must be maintained by the IDA officials of both the Supplying and Receiving Department. 	IDA official of Receiving Department and Supplying Department.	
2.	Approval of Payments.	<ul style="list-style-type: none"> The IDA official of the Receiving Department must forward the IDA claim/s together with all supporting documents to the respective Responsibility Manager for approval. The register, as referred to above, must be updated. Once approved by the Responsibility Manager, the IDA claim/s must be forwarded to the IDA official for submission to the Finance Division for 	IDA official of Receiving Department. Responsibility Manager	

		<p>payment.</p> <ul style="list-style-type: none"> • The register must be updated. 		
3.	Disbursement Report.	<ul style="list-style-type: none"> • At month-end or after a BAS run, to augment the timely recognition of payments, the IDA official of the Receiving Department must submit the BAS generated “Disbursement Payee Report” to the IDA official of the Supplying Department. • A BAS Detail Report must be downloaded monthly to verify that all journals have been captured accurately and all payments correctly allocated. • A journal must be processed to correct any misallocations. 	<p>IDA official of Receiving Department.</p> <p>IDA official of Receiving/Supplying Department.</p>	

ANNEXURE C

CONFIRMATION OF IDA BALANCES				
	Task	Process	Responsibility	Comment
1.	Quarterly confirmation of IDA balances.	<ul style="list-style-type: none"> In order to ensure that accruals are correctly accounted for in the interim and annual financial statements, quarterly confirmations must be sent via the Receiving Department to the Supplying Department within 5 working days after the closure of the accounting month for that quarter (June, September, December and March). The Supplying Department must indicate whether the balances are confirmed or unconfirmed, including reasons for unconfirmed balances. Confirmations must be returned back to the Receiving Department within 5 working days after the closure of the accounting month for that quarter. Unconfirmed balances must be resolved within 15 working days of lodging the dispute. Records of the procedural steps undertaken for the quarterly confirmation of IDA balances must be documented and filed for reference and audit purposes. 	<p>IDA official of Receiving Department.</p> <p>IDA official of Supplying Department.</p>	

2.	Year-end confirmation of IDA balances.	<ul style="list-style-type: none"> • At financial year-end, the IDA official of the Receiving Department and the IDA official of the corresponding Supplying Department must confirm and agree on any inter-departmental balances that may exist for the applicable financial year ending 31 March. • This must be concluded within 5 working days after the closure of financial year-end. • The Supplying and Receiving Department must indicate whether balances are confirmed or unconfirmed, including reasons for unconfirmed balances. • Any unconfirmed balances must be resolved prior to the finalisation and reporting thereof in the Annual Financial Statements. • Records of the procedural steps undertaken for the year-end confirmation of IDA balances must be documented and filed for reference and audit purposes. 	IDA official of Receiving and Supplying Department.	
----	--	--	---	--

ANNEXURE D

REPORTING REQUIREMENTS				
	Task	Process	Responsibility	Comments
1.	Reporting to Chief Financial Officer.	<ul style="list-style-type: none"> The IDA official must submit a monthly report to the department's Chief Financial Officer detailing the following: <ul style="list-style-type: none"> Balance of claims recoverable account and individual balances owed by each department; and Detailed breakdown of transactions, including departmental balances and recovery status. The report must be reviewed by the Chief Financial Officer and corrective action taken, where applicable. 	<p>IDA official.</p> <p>Chief Financial Officer.</p>	Refer to Annexure F: Claims Recoverable.
2.	Reporting to Provincial Treasury.	<ul style="list-style-type: none"> The IDA official must submit electronic and signed reports monthly to Provincial Treasury: Financial Reporting Section within ten working days of month-end closure. 	IDA official.	Refer to Annexure F: Claims Recoverable.

KWAZULU NATAL PROVINCIAL ADMINISTRATION

INTER-DEPARTMENTAL INVOICE

DEPARTMENT OF _____

DATE CAPTURED: _____

INVOICE NO. **I 2513**

TO EXPENSING DEPARTMENT: _____

OFFICER: _____

ADDRESS: _____

FAX: _____

For use by PAYING Dept. ONLY

AMOUNT

--	--	--	--	--	--	--	--	--	--

Supplier: _____

Date of Invoice: _____

Description of goods / service: _____

Documentation attached YES

Officer: _____

Authorised: _____

Date: _____

Date: _____

Contact Number: _____

Contact Number: _____

For use by EXPENSING Dept. ONLY

Invoice

ACCEPTED	REJECTED
-----------------	-----------------

Reason: _____

Officer: _____

Authorised: _____

Date: _____

Date: _____

CPW/PLB/5/078

Provincial Treasury Standard Operating Procedure Guideline on Inter-Departmental Accounts

ANNEXURE F

Department of _____ Name of Department _____
Interdepartmental Receivables/ Claims Recoverable

As at _____ Enter Date

Name of Department _____ Health

Prepared by		Approved by	
Date		Date	

Request No. or order no. or instruction to proceed or SLA no.	SCOA Item	Detailed description of expenditure	Name of Supplier Paid/Name of Employee	Date supplier/employee paid	Date claim raised with the department	Has the dept acknowledged receipt of the claim	Claim Number	Has supporting documentation been sent to the dept	Has the dept confirmed the balance	Current	30 days	60 days	Older than 60 days	Total	Reason - why account has not yet been paid/ Comments/ Date paid
---	-----------	-------------------------------------	--	-----------------------------	---------------------------------------	--	--------------	--	------------------------------------	---------	---------	---------	--------------------	-------	---

Prepared By _____ Date _____
Name _____
Position _____

Reviewed By _____ Date _____
Name _____
Position _____

ANNEXURE G

Department of Agriculture
 Interdepartmental Payables - Confirmed

Prepared by		Approved by	
Date		Date	

As at 00-Jan-00

Name of Department Premier

Request No. or order no. or instruction to proceed or SLA no.	SCOA Item	Detailed description of expenditure	Name of Supplier Paid/Name of Employee	Date supplier/employee paid	Date claim received by the department	Claim Number	Has supporting documentation been received by the department	Current	30 days	60 days	Older than 60 days	Total
---	-----------	-------------------------------------	--	-----------------------------	---------------------------------------	--------------	--	---------	---------	---------	--------------------	-------

												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-
												-

Prepared By
 Name
 Position

 Date

 Date

ANNEXURE H

COMPLIANCE CHECKLIST: INTER-DEPARTMENTAL ACCOUNTS

PROCESS		Y/N	REMEDIAL ACTION
GENERAL			
1.	IDA official appointed by Accounting Officer.		
2.	Service Level Agreement (SLA) signed by Accounting Officers of relevant Departments.		
3.	Monthly Reconciliation of IDA balances.		
4.	Monthly report submitted to CFO on status of IDA's.		
5.	Monthly report submitted to Provincial Treasury within 10 working days of month-end closure.		
RECOVERY OF PAYMENTS			
6.	Invoice completed for IDA Claims.		
7.	IDA claims reviewed and approved.		
8.	Invoices and supporting documents delivered to applicable departments and signed for and dated in IDA Register.		
9.	Notification of outstanding IDA balances monthly.		
10.	Disputes queried within 10 working days of receipt of invoice.		
11.	Disputes resolved within 15 working days of lodgement.		
PAYMENT OF CLAIMS			
12.	All invoices signed for and date stamped.		
13.	Claims (invoices) approved by Responsibility Manager.		
14.	Approved claims submitted to Finance Division for		

PROCESS		Y/N	REMEDIAL ACTION
	payment.		
15.	Payments settled within 30 working days.		
16.	Disbursement report submitted to applicable departments.		
17.	Confirmation of IDA balances quarterly and at financial year end.		