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1. Definitions and abbreviations

Accounting Officer: means the municipal manager appointed as such by the municipal Council in terms of section 82 of the Municipal Structures Act and as contemplated in Chapter 8 of the MFMA;

CFO: means the Chief Financial Officer designated to the budget and treasury office of the municipality and who is accountable to the Accounting Officer of the municipality as contemplated in chapter 9 of the MFMA;

Municipal Council : means the municipal council of the Ventersdorp Municipality as contemplated in section 18 of the Municipal Structures Act;

MFMA : Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

Journal: means a record that keeps accounting transactions in chronological order, i.e. as they occur.

Ledger: means a record that maintains accounting transactions by accounts.

Account: means a unit to record and summarise accounting transactions.

Double-entry: means recording of accounting transactions using two sides, i.e. debit and credit.

Balanced journal entry: means when the sum of the debit side amounts equals the sum of the credit side of the journal.

2. Objective

This policy will specify what the responsibilities and procedures regarding the management of journal entries.

3. Purpose

The purpose of this policy is to allow for recording of accounting transactions by way of journal entries in an orderly and accountable manner as well as to improve efficiency by ensuring a systematic cross reference between source documents, journals and transaction entries in the accounting system.

4. Applicable legislation

Section 62(1)(b) and (c) of MFMA stipulates that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards and that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

5. Requirements

All accounting transactions that are recorded through journal entries must show the date of entry, affected accounts names, amounts, whether those accounts are recorded in the debit or credit side of the accounts and the narration or description of the entry recorded.

All journals must be supported by relevant source documents which gave effect or necessity to the journal entry.

When a journal entry is posted to the individual account in the General Ledger, a reference must be made to the account or vote number of the affected General Ledger Account to indicate the entries made in the account.

All journals must only be prepared and signed for by the authorised officials, and be approved by the Chief Financial Officer and/or duly delegated official in the Budget & Treasury Office.

All journals must be logged in the accounting system, reviewed and approved prior to posting

6. Accounting principles

The determination of when to debit and credit an account shall be based on the principle of normal balances of the types of accounts. Accounts have normal balances on the side where the increases in such accounts are recorded.

7. Preparation procedures

As a norm, a journal entry shall be prepared to adjust or correct account balances in cases where current account balances do not represent correct balances due to various reasons. e.g. Correction of an error, changes in accounting practices, etc.

The following procedures must be performed in the preparation of journals:

- Identify the specific account that requires correction.
- Identify the correct account balance that must be reflected in the account.
- Analyse the difference between the correct and the current account balances
- Identify which general ledger accounts are to be affected by the transaction.
- Prepare appropriate journal entries to adjust the differences.

8. Recording procedures

Recording of journal entries into the accounting system (posting to the General Ledger Accounts) shall be recorded on the basis of double-entry accounting system, and shall only be in respect of journals that have been duly prepared in accordance with the requirements, principles and procedures prescribed in this policy.

Once a journal transaction has been processed in the accounting system, an exception report must be generated and the accounts be analysed to ensure that the journal entries are balanced. i.e. the sum of debit side amounts must be equal to the sum of credit side amounts.

The Chief Financial Officer or the designated senior official in the Budget & Treasury Office shall authorise the exception reports and attach copies of such authorised reports to the journals and other supporting documents to be filed together for future reference.

9. Record maintenance

All journals and supporting documents to the journals shall be filed systematically in a secure place, according to the system generated sequence numbers.

10. Implementation, evaluation and review

This policy framework is important for the financial compliance of the Municipality. It provides for an administrative procedure for the management of journal entries.

This policy shall be implemented once approved by Council. This policy will be reviewed on a regular basis.