

Reference: RCS/C.6

## TREASURY CIRCULAR NO. 21/2016

THE PREMIER

THE MINISTER OF ECONOMIC OPPORTUNITIES  
THE MINISTER OF COMMUNITY SAFETY  
THE MINISTER OF CULTURAL AFFAIRS AND SPORT  
THE MINISTER OF EDUCATION  
THE MINISTER OF FINANCE  
THE MINISTER OF HEALTH  
THE MINISTER OF HUMAN SETTLEMENTS  
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING  
THE MINISTER OF SOCIAL DEVELOPMENT  
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

For information

THE SPEAKER: PROVINCIAL PARLIAMENT  
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

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THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)  
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THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)  
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)

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THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)  
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## **DECLARATION OF CASH SURPLUSES, ACCUMULATION OF CASH SURPLUSES, RESUBMISSION OF REQUESTS TO ACCUMULATE CASH SURPLUSES AND SURRENDER OF CASH SURPLUSES BY PUBLIC ENTITIES**

### **PURPOSE**

1. To provide guidance to the Accounting Authorities (AA), Chief Executive Officers (CEO) and Chief Financial Officers (CFO) of Schedule 3C and 3D of the PFMA public entities as well as the Accounting Officers (AO) and CFO of departments regarding the implementation of National Treasury Instruction No. 3 of 2015/16.
2. The Instruction prescribes measures with regards to declaration of cash surpluses, submissions of requests to accumulate cash surpluses, resubmission of requests to accumulate cash surpluses and surrender of cash surpluses by Public Entities for the 2015/16 financial year and beyond.

## BACKGROUND

3. In terms of Chapter 6, section 53(1) of the PFMA, 1999, the Accounting Authorities for a public entity listed in Schedule 3 which is not a government business enterprise must submit a budget of estimated revenue and expenditure to the executive authority responsible for that public entity.
4. The budget must be submitted at least six months before the start of the financial year of the department to the designated executive authority or another period agreed to between the executive authority and the public entity a budget of estimated revenue and expenditure for that financial year, for approval by the executive authority.
5. In terms of section 53(3) a public entity which must submit a budget, may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the Provincial Treasury has been obtained.
6. NTR 19.7.1 regarding the surrender of surplus funds indicates that an accounting officer of a department operating a trading entity must, at the end of each financial year and after books of account have been closed, declare any surplus or deficit to the relevant treasury. The relevant treasury may apply such surplus to reduce any proposed allocation to the trading entity, or require that all or part of it be surrendered to the Provincial Revenue Fund.
7. NTR 31.3.3 stipulates that, unless exempted by the National Treasury, public entities that are listed in Schedule 3A or 3C of the Act must invest surplus funds with the Corporation for Public Deposits.
8. For purposes of NTR 31.3.3, surplus funds refer to all money in excess of a given day's projected cash flow requirements plus a liquidity buffer needed to cover unforeseen expenditure on that day.
9. Public entities exempted by the National Treasury in terms of NTR 31.3.3 must invest surplus funds in an institution with an investment grade rating and in line with an investment policy.
10. Accounting Authorities must ensure that all correspondence in terms of this Circular is submitted to the Provincial Treasury through the Accounting Officers of the designated department.

## DISCUSSION

### Declaration of Cash Surpluses

11. Accounting Authorities of all Public Entities listed in Schedule 3C and 3D of the PFMA, must declare all cash surpluses or deficits to the Provincial Treasury by **31 May** annually.
12. A nil return must be submitted by all Public Entities that have not realised any cash surpluses or deficits to the Provincial Treasury by **31 May** annually and it must be supplemented by a copy of reconciliation (see Annexure A).
13. Submissions to the Provincial Treasury to declare; accumulate; retain and surrender cash surpluses must be accompanied by the following documentation:
  - a) A reconciliation that was used to get to the amount of the cash surplus (see Annexure A);
  - b) A copy of the cash flow statement submitted for audit;
  - c) A paragraph detailing how previously approved cash surpluses were utilised by the public entity;
  - d) A motivation detailing why the cash surplus should be considered for approval; and
  - e) If a request is resubmitted in terms of paragraph 17 below, a reconciliation of transactions, events and conditions adjusted after the annual financial statements must be submitted for audit.

### Submissions of requests to accumulate Cash Surpluses in terms of section 53(3) of the PFMA

14. Accounting Authorities of all Public Entities listed in Schedule 3C and 3D of the PFMA must submit requests to the Provincial Treasury to accumulate cash surpluses that have been realised in particular financial year by **31 May** annually (see Annexure A and Annexure B).
15. The requests must be submitted to Provincial Treasury when the annual financial statements of the Public Entities are submitted for audit, not later than **31 May** annually.
16. Provincial Treasury will finalise preliminary assessment, and approve the retention in principle by **30 June** annually; and final approval will be issued by **30 September** annually.

## **Resubmissions of requests to accumulate Cash Surpluses in terms of section 53(3) of the PFMA**

17. Public Entities listed in Schedule 3C and 3D of the PFMA may resubmit a request to the Provincial Treasury, to accumulate cash surpluses in the event that the Public Entity has amended its annual financial statements and if the adjustments affected the cash surpluses previously declared.
18. The resubmission is applicable to Public Entities that have previously submitted the request to retain cash surpluses by **31 May**.
19. The resubmission must be made no later than **31 August** annually.

## **Surrender of Cash Surpluses by the Public Entities listed in Schedule 3C and 3D of the PFMA**

20. Public entities must surrender cash surpluses for depositing into the Provincial Revenue Fund through their respective designated departments, all cash surpluses realised in a particular financial year:
  - a) Which were not approved for retention by the Provincial Treasury in terms of section 53(3) of the PFMA; or
  - b) Where no application was made to Provincial Treasury to retain cash surplus in terms of section 53(3) of the PFMA.
21. The cash surpluses referred to in paragraph 20 above must be surrendered for re-depositing into the Provincial Revenue Fund by no later than **30 September** annually.

## **EFFECTIVE DATE**

22. The effective date for this Treasury Instruction is **30 April 2016**.
23. All Accounting Authorities, through designated departments, should forward all submissions for declaration, accumulation, resubmission and surrender of cash surpluses including Annexure A as detailed in Annexure B to Nontyatyambo Zozoba at the Provincial Treasury. The electronic version must be submitted via e-mail to [Nontyatyambo.Zozoba@westerncape.gov.za](mailto:Nontyatyambo.Zozoba@westerncape.gov.za) and the signed hard copies to 7 Wale Street, Room 3-37B, Cape Town.



**JD GANTANA**

**ACTING DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES**

**DATE:** 19 May 2016

## Annexure B

### PROCEDURES FOR COMPLETION OF THE RECONCILIATION AND DECLARATION OF CASH SURPLUSES

PROCESS	DATE
" <b>Reconciliation and Declaration of Cash Surpluses</b> " template (Annexure A) must be used for both the Declaration and Reconciliation of Cash Surpluses. It must be submitted to the Provincial Treasury, together with the AFS and the attached <b>confirmation of the reconciliation and declaration of cash surpluses submitted</b> .	31 May
<b>Comments column</b> on the template must contain brief information relating to the amounts listed and where necessary refer to attachments that provide detailed information that would be necessary for the Provincial Treasury to evaluate the surplus amount declared and submitted for retention.	
The Provincial Treasury will evaluate the <b>confirmation of the reconciliation and declaration of cash surpluses submitted</b> and provide in principle approval.	30 June
If any figures contained in the <b>confirmation of the reconciliation and declaration of cash surpluses submitted as submitted</b> on 31 May were amended as a result of the audit, a re-submission form must be forwarded to Provincial Treasury.	31 August
Cash surpluses not retained must be <b>surrendered</b> for re-depositing into PRF by designated department. Entities must thus transfer such cash surpluses to the designated department in advance of this date.	30 September

### CALCULATION OF CASH SURPLUS

Collate the necessary information to calculate the entity's cash surplus. **The data you require** will be found in the **financial statements** and related information as contained in the budget, agreements with debtors and creditors, as well as information relating to project funds received.

Start with the entity's **Cash and cash equivalents** at the end of the year, which you will find on the cash flow statement. Deduct cash on hand to obtain the amount of the bank balances.

Cash surplus as per Cash Flow Statement			
Source		Amount R	Comments
Cash Flow Statement	Cash and cash equivalents at the end of 2015/16		
AFS Note - Cash and cash equivalents	Less: Cash on hand (e.g. petty cash)		
	<b>Bank balances</b>		

Calculate **Sub-Total A:** Note that the calculation relates to balances as at 31 March. Do not include amounts pertaining to the new financial year. List all monies included in the bank balances above that are to be utilised in future.

Sub-Total A:			
Source		Amount R	Comments
AFS Note – as at 31 March	Unspent Conditional Grants		*
AFS Note – as at 31 March	Employee benefit obligations		**
AFS Note – as at 31 March	Trade payables - exchange		
AFS Note – as at 31 March	Trade payables – Non exchange		
AFS Note – as at 31 March	Finance lease obligations (excl GMT)		
AFS Note – as at 31 March	Commitments		
	<b>Sub-Total A:</b>		

\* Attach list if necessary. Unspent conditional grants and receipts previously received from government grants and private funders that will be utilised in the future (e.g. against respective projects). Information submitted must enable PT to make an informed decision regarding the retention of the amounts.

\*\* Include only those Employee benefit obligations which are still valid at the time of the submission of the Reconciliation and Declaration of Cash Surpluses.

Calculate **Sub-Total B**: Note that the calculation relates to balances as at 31 March. Do not include amounts pertaining to the new financial year. List all monies included in the bank balances above, are not included in A and are regarded as restricted funds. (Ring-fenced/earmarked, etc.)

Sub-Total B:			
Source	<u>List of restricted funds not included in A above</u>	Amount R	Comments
AFS notes – Grand Total as at 31 March; Internal information kept.	Earmarked/donor/special projects, etc. (list all, provide short description/comment)		
	<b>Sub-Total B:</b>		

Calculate the Declared surplus/Available Cash. It is the **Bank balances less Sub-Totals A and B**. Then split the amount into monies available for re-depositing in PRF and monies to be considered for retention by the entity.

Declared surplus			
Source		Amount R	Comments
Calculation	<b>Available Cash – Bank balances less Sub-Totals A and B</b>		
	➤ Available for re-depositing in PRF		
	➤ To be considered for retention by the entity		



**WESTERN CAPE****Public Entity name****Heritage Western Cape****Reconciliation and declaration of cash surpluses**

<b>Rand thousand</b>	<b>2015/16 Outcome</b>	<b>Comments</b>
Cash and cash equivalents at 31 March 2016		
Cash on hand		
<b>Bank balances</b>	-	
<b>Unspent balances as at 31 March 2016</b>	-	
Unspent Conditional Grants		
Employee benefit obligations		
Trade payables - exchange		
Trade payables – Non exchange		
Finance lease obligations (excl GMT)		
Commitments		
<b>Unspent restricted funds as at 31 March 2016</b>	-	
Earmarked funds		
Donor funds		
Special project funds		
Contingent liabilities		
Emergency fund cash reserve		
<b>Available Cash</b>	-	
<b>Amount requested for retention</b>		
Amount re-deposited in Provincial Revenue Fund (PRF)	-	