

Reference: RCS/C.6

TREASURY CIRCULAR NO. 8/2018

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
THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT
THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
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 (MR BK SCHREUDER)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
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)
THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS U BRINK) (ACTING)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUIS)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV C SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR T HARRIS)
THE CHIEF EXECUTIVE OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MR D SOUTHGATE) (ACTING)
THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR M BRINKHUIS)
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (DR L MDUNYELWA)

For information

THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MS Z SIWA)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR M BHAYAT)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MS K ZAMA)
 THE CHIEF FINANCIAL OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MR H BONESCHANS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MS V LETSWALO)
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 THE DEPUTY DIRECTOR GENERAL: FISCAL AND ECONOMIC SERVICES (MR H MALILA)
 THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)
 THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MS M KORSTEN)
 THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)
 THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
 THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)
 THE CHIEF FINANCIAL OFFICER (MS U BRINK) (ACTING)
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)
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 THE DIRECTOR: FINANCIAL GOVERNANCE (MS N PALMER) (ACTING)
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 THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR L BRINDERS)
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR A DYAKALA)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS RH SLINGER)
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)
 THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE DEPUTY DIRECTOR GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

RETENTION OF CASH SURPLUS BY PUBLIC ENTITIES LISTED IN SCHEDULE 3C OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 (ACT 1 OF 1999) (PFMA)

PURPOSE

1. To provide the revised provisions to the Accounting Authorities (AAs), Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) of Schedule 3C of the PFMA public entities as well as the Accounting Officers (AOs) and CFO of departments regarding the declaration, accumulation, the request to accumulate cash surpluses and surrender of cash surpluses according to the National Treasury Instruction No. 6 of 2017/18.
2. Repealing of Provincial Treasury Circular No. 21 of 2016 as it was based on National Treasury Instruction No. 3 of 2015/16, which has subsequently been repealed by National Treasury.

BACKGROUND

3. In terms of Chapter 6, section 53(1) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), 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 for approval.
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. According to section 53(3) a public entity must submit a budget in terms of section 53(1), may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. This has subsequently been delegated to Provincial Treasuries on 29 August 2001.
6. In terms of National Treasury Regulations (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 accumulated surpluses by Public Entities listed in Schedule 3C of the PFMA

11. Accounting Authorities of all Public Entities listed in Schedule 3C of the PFMA, must declare all cash surpluses or deficits to the Provincial Treasury from the period of **31 May to 30 September** 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 to 30 September** annually and it must be supplemented by a copy of reconciliation (see Annexure A).
13. Public Entities listed in Schedule 3C of the PFMA whose founding legislation preclude such entities from surrendering surpluses to the Provincial Revenue Fund must inform the Provincial Treasury in writing that their founding legislation regulates how they must utilise their surplus funds.
14. In the event of any inconsistencies between the PFMA and the founding legislation of the Public Entity, section 3(3) of the PFMA stipulates that the PFMA prevails.

Submission of requests to accumulate surpluses in terms of section 53(3) of the PFMA

15. Accounting Authorities of all Public Entities listed in Schedule 3C of the PFMA must submit formal requests to the Provincial Treasury to accumulate surpluses that have been realised in previous financial year by **31 May to 30 September** annually (see *Annexure A and Annexure B*).
16. Submissions to the Provincial Treasury to declare and accumulate cash surpluses must be accompanied by the following documentation:
 - a) A reconciliation that was used to calculate the amount of the cash surplus which is based on cash, cash equivalents plus receivables less current liabilities and commitments (see Annexure B);
 - b) A copy of annual financial statements;
 - c) A list of commitments that were deducted to arrive at the surplus approved by a duly authorised official;
 - d) A paragraph detailing how previously approved cash surpluses were utilised by the public entity;
 - e) A motivation detailing why the cash surplus should be considered for approval financial implications and expenditure projections; and

- f) If a request is resubmitted in terms of paragraph 15 above, a reconciliation of transactions, events and conditions adjusted after the annual financial statements must be submitted for audit.

Surrender of surpluses by the Public Entities listed in Schedule 3C of the PFMA

17. Public Entities listed in Schedule 3C of the PFMA must surrender cash surpluses for re-depositing into the Provincial Revenue Fund through their respective designated departments, all 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.
18. The cash surpluses referred to in paragraph 17 above must be surrendered for re-depositing into the Provincial Revenue Fund by no later than **30 November** annually.

Actions required

19. All Accounting Authorities, through designated departments, should forward all submissions for declaration, retention 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 and the signed hard copies to 7 Wale Street, Room 3-37B, Cape Town.



MS A PICK

ACTING CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE

DATE: 22 March 2018

Annexure A



Casidra SOC Ltd: Reconciliation and declaration of cash surpluses as at 31 March 2017

Public Entity:	Casidra SOC Ltd
Financial year	2016/17
Casidra SOC Ltd	
Chief Financial Officer	
Contact number	
Contact email address	
Confirmation	
The submission to retain cash surpluses includes the following:	
<ul style="list-style-type: none"> • Annexure A - the reconciliation that was used to get to the amount of the cash surplus 	
<ul style="list-style-type: none"> • A copy of the cash flow statement submitted for audit 	
<ul style="list-style-type: none"> • A paragraph in the sign-off letter of the Accounting Authority which - <ul style="list-style-type: none"> • Details how previously approved cash surpluses were utilised by the public entity • Details why the cash surplus should be considered for approval 	
<ul style="list-style-type: none"> • if the Entity amended its annual financial statements and it affected the cash surpluses previously declared - a reconciliation of transactions, events and conditions adjusted after the annual financial statements were submitted for audit 	
Provincial Treasury	
Contact person	Mrs Nontyatyambo Zozoba
Contact number	021 483 8268
Contact email address	Nontyatyambo.Zozoba@westerncape.gov.za

Annexure B

PROCEDURES FOR COMPLETION OF THE RECONCILIATION AND DECLARATION OF CASH SURPLUSES

PROCESS	DATE
"Reconciliation and Declaration of Cash Surpluses" 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 confirmation of the reconciliation and declaration of cash surpluses submitted .	31 May to 30 September annually
Comments column 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.	31 May to 30 September annually
The Provincial Treasury will evaluate the confirmation of the reconciliation and declaration of cash surpluses submitted and provide in principle approval.	31 May to 30 September annually
If any figures contained in the confirmation of the reconciliation and declaration of cash surpluses submitted as submitted on 31 May were amended as a result of the audit, a re-submission form must be forwarded to Provincial Treasury.	31 August to September annually
Cash surpluses not retained must be surrendered 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 November annually

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.

Obtain the balance of the Cash and cash equivalents. The AFS template Note number 1 reflects this and this amount should agree with the total in the Cash Flow Statement.

CASH SURPLUS AS PER CASH FLOW STATEMENT/AFS TEMPLATE NOTE 1			
Source		Amount R	Comments
AFS Note – as at 31 March	Cash and cash equivalents (AFS Template Note 1)		

Calculate **Receivables as at 31 March**: The calculation relates to balances as at 31 March. Do not include amounts pertaining to the new financial year.

RECEIVABLES			
Source		Amount R	Comments
AFS Note – as at 31 March	Trade and other receivables from exchange transactions (Template Note 2)		
AFS Note – as at 31 March	Other receivables from non-exchange transactions (Template Note 3)		
	Sub-Total: Receivables		

Calculate **Current Liabilities as at 31 March**: The calculation relates to balances as at 31 March. Do not include amounts pertaining to the new financial year.

CURRENT LIABILITIES			
Source	List of restricted funds not included above	Amount R	Comments
AFS Note – as at 31 March	Trade and other payables from exchange transactions (Template Note 21)		
AFS Note – as at 31 March	VAT payable (Template Note 22)		
AFS Note – as at 31 March	Taxes and transfers payable (Template Note 23)		
AFS Note – as at 31 March	Other current financial liabilities (Template Note 24)		
AFS Note – as at 31 March	Current provisions (Template Note 25)		
AFS Note – as at 31 March	Current portion of unspent conditional grants and receipts (Template Note 26)		
AFS Note – as at 31 March	Current portion of finance lease liability (Template Note 29)		
	Sub-Total: Current liabilities		

Calculate **Commitments**: Note that the calculation relates to balances as at 31 March as well as monies regarded as restricted funds. (Ring-fenced/earmarked, Employee benefit obligations, etc.).

COMMITMENTS			
Source	List of restricted funds not included above	Amount R	Comments
AFS Note – as at 31 March	Capital Commitments (Template Note 69)		
AFS Note – as at 31 March	Operational Commitments (Template Note 70)		
Internal information kept	Earmarked funds		
Internal information kept	Donor funds		
Internal information kept	Special project funds		
	Sub-Total: Commitments		

Include only those Ring-fenced/earmarked, Employee benefit obligations, etc. which are still valid at the time of the submission of the Reconciliation and Declaration of Cash Surpluses.

Internal information kept Earmarked/donor/special projects, etc. (list all, provide short description/comment)

Calculate the Declared surplus/Available Cash. It is the **Cash and cash equivalents plus the Receivables, less the Current Liabilities and Commitments listed above**. 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	Available Cash – Cash and cash equivalents plus Receivables, less Current Liabilities and Commitments		
	➤ Available for re-depositing in PRF		
	➤ To be considered for retention by the entity		