

**PROVINSIALE TESOURIE • PROVINCIAL TREASURY
UNONDYEBO WEPHONDO**



Verwysing
Reference
Isalathiso

T13/P

Navrae
Enquiries
Imibuzo

S Hanekom
021 483-5203

TREASURY CIRCULAR NO 36 /2009

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM
THE MINISTER OF HEALTH
THE MINISTER OF HOUSING
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

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1:	PREMIER (MS V PETERSEN)
THE ACCOUNTING OFFICER: VOTE 2:	PROVINCIAL PARLIAMENT (MR P WILLIAMS)
THE ACCOUNTING OFFICER: VOTE 3:	PROVINCIAL TREASURY (DR JC STEGMANN)
THE ACCOUNTING OFFICER: VOTE 4:	COMMUNITY SAFETY (DR GA LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 5:	EDUCATION (MR RB SWARTZ)
THE ACCOUNTING OFFICER: VOTE 6:	HEALTH (PROF KG HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7:	SOCIAL DEVELOPMENT (MS K LUBELWANA)
THE ACCOUNTING OFFICER: VOTE 8:	LOCAL GOVERNMENT AND HOUSING (MS S MAJIET)
THE ACCOUNTING OFFICER: VOTE 9:	ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR R ELLIS) (ACTING)
THE ACCOUNTING OFFICER: VOTE 10:	TRANSPORT AND PUBLIC WORKS (MR T MANYATHI)
THE ACCOUNTING OFFICER: VOTE 11:	AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12:	ECONOMIC DEVELOPMENT AND TOURISM (MR B ROBERTS)
THE ACCOUNTING OFFICER: VOTE 13:	CULTURAL AFFAIRS AND SPORT (MR B WALTERS) (ACTING)

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THE CHIEF FINANCIAL OFFICER: VOTE 2:	PROVINCIAL PARLIAMENT (MS A SMIT)
THE CHIEF FINANCIAL OFFICER: VOTE 3:	PROVINCIAL TREASURY (MR A GILDENHUYS)
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:	LOCAL GOVERNMENT AND HOUSING (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 9:	ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)
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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)

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THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE) (ACTING)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
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THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR H DU TOIT) (ACTING)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS N OLIPHANT)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: INTERNAL AUDIT: GOVERNANCE AND ADMINISTRATION CLUSTER (MS B CAIRNCROSS)
THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER (MR M MALULEKA)
THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MR PP PIENAAR) (ACTING)
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR L HARTLE) (ACTING)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR G PAULSE)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS A PICK) (PRO TEM)
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE MINISTRY (MS J DAVIDS)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

CASH MANAGEMENT FRAMEWORK

1. PURPOSE

- 1.1. The purpose of this circular is to inform Accounting Officers of the current prescripts regarding the Provincial Treasury's control over the Provincial Revenue Fund (PRF), as well as additional prescripts that will enable the Provincial Treasury to ensure a favourable bank balance, not only in the provincial exchequer account, but also the relevant Paymaster-General Accounts (PMG's) of the departments.

2. BACKGROUND

- 2.1. Treasury Circular 28 of 2001, 7 of 2003 and 1 of 2004 as well as any supplementary Treasury Circulars are hereby withdrawn.
- 2.2. Section 21(1) of the Public Finance Management Act, 1999 (Act 1 of 1999) (hereafter called the PFMA), as amended, prescribes that the Provincial Treasury is in charge of the Provincial Revenue Fund and must enforce compliance with the provisions of Section 226 of the Constitution, namely that:
- (a) all money received by the Provincial Government must promptly be paid into the Fund, except money reasonably excluded by this Act or another Act of Parliament; and
 - (b) no money may be withdrawn from the Fund except
 - (i) in terms of an appropriation by a Provincial Act; or
 - (ii) as a direct charge against the Fund when it is provided for in the Constitution or a provincial Act.
- 2.3. Section 21(3) of the PFMA further prescribes that the Provincial Treasury must establish appropriate and effective cash management and banking arrangements for its Provincial Revenue Fund.
- 2.4. Furthermore, the Provincial Treasury may exercise its powers, in accordance with Section 24(3) of the PFMA, to temporarily utilise moneys in the Provincial Paymaster-General's Accounts, which in its opinion are available for temporary investment.

3. THE RESPONSIBILITIES OF THE ACCOUNTING OFFICER

- 3.1. To ensure that there are at all times sufficient moneys in the exchequer account for transfer to the Paymaster-General Accounts and to enable the Provincial Treasury to manage cashflow more effectively, the following instructions must be strictly adhered to:

3.1.1. Annual Cash Flow Statement

- 3.1.1.1. In accordance with Section 40(4)(a) of the PFMA, the Accounting Officer of a department must each year before the beginning of a financial year provide the relevant Treasury in the prescribed format with a breakdown per month of the anticipated revenue and expenditure of that department, for that financial year.

Treasury Regulation 15.10.2.1 further requires that the Annual Cash Flow Statement must be submitted to the relevant Treasury, by no later than the last working day of February, preceding the financial year to which it relates.

It is imperative that the anticipated revenue and expenditure represents a department's actual cash flow requirements on a monthly basis as these figures form the basis utilised by National Treasury to determine the funds (especially equitable share) transfers to provinces.

The format in which the anticipated revenue and expenditure must be reported on, will be provided by Provincial Treasury annually. The completed templates must be submitted (electronically) to the sub-directorate Financial Asset Management electronically by the latest 28 February of each year.

3.1.2. Surrender of voted surplus funds

- 3.1.2.1. According to Treasury Regulation 15.8.1, the Accounting Officer must at the end of each financial year, surrender to the relevant Treasury any unexpended voted money after the books of the account of a department have been closed, for re-depositing into the exchequer bank account of the relevant Revenue Fund.
- 3.1.2.2. Such money mentioned above must be transferred to the Provincial Treasury by no later than 31 May each year utilising the transfer form, attached as annexure A.

3.1.3 Transfer of own revenue to Provincial Exchequer Account

- 3.1.3.1. All own revenue that has already been accounted for in the Basic Accounting System (BAS) must be transferred monthly, three (3) working days before the end of each month, from the Paymaster-General account to the Provincial exchequer account.
- 3.1.3.2. Own revenue still to be surrendered to the Provincial Revenue Fund after books of account of a department have been closed, must be transferred to the Provincial Treasury by no later than 31 May of each year.
- 3.1.3.3. For this purpose, the "authority to transfer" form, which is attached as annexure B, must be completed whereby Accounting Officers authorise the Provincial Treasury to transfer the revenue from the Paymaster-General account to the Provincial exchequer account.

3.1.4. Accounting and reporting

- 3.1.4.1. According to Treasury Regulation 15.9.1, each Treasury must account daily for the cash movements of all bank accounts in the books of its revenue fund.
- 3.1.4.2. Given the above, as well as taking into account Treasury Regulations 15.10.1.2(f) and (g), the Provincial Treasury can only adhere to the prescripts if it has the full cooperation of the Accounting Officers. It is therefore imperative that all departments submit by the latest **09:30 every working day** their cash flow requirements for that day.
- 3.1.4.3. It is further imperative to ensure that the ACB limits are sufficient for both aggregate and item limits. Item limits refer to each individual/ supplier being paid and aggregate limits refer to the accumulative amount to be paid in a seven (7) working day period to amend such limits. The form attached as annexure C must be completed.

3.1.5. Notification of payments in excess of R500 000,00

- 3.1.5.1. Prior authorisation must be obtained from the Provincial Treasury sub-directorate: Financial Asset Management for all payments in excess of R500 000,00.
- 3.1.5.2. The authority number issued by the Provincial Treasury must be indicated on the top

right of the face of the payment form.

3.1.6. Payments in excess of R5 million

- 3.1.6.1. The South African Reserve Bank has stipulated that with effect from 2 January 2002, no cheques or EFT's in excess of R5 million may be issued. These amounts must be settled on a same-day basis between the various banks. To achieve this, each department wishing to effect such payments must request the Provincial Treasury, in writing, to arrange for the payment thereof. The full names and banking account details of the beneficiary must be furnished, as the Provincial Treasury will transfer such large amounts utilising the online (real time) system of the official banker. The format of such a request is attached as annexure D.

3.1.7. Payments in excess of R1 million

- 3.1.7.1. In addition to the stipulation by the South African Reserve Bank regarding payments in excess of R5 million, the Accountant-General within National Treasury issued an instruction that all payments in excess of R1 million must be dealt with in a similar manner as payments in excess of R5 million utilising the online (real time) banking system of the official banker. This is seen as a further control mechanism to curtail the possibility of fraud/ irregularities.
- 3.1.7.2. To ensure that sufficient funds are available to cover these large online payments that are done by departments themselves, departments are requested to inform this office before the Wednesday at 09:30 prior to the effective payment date (normally the Thursday), notwithstanding the fact that the payment advice (stub) will indicate the effective payment date as the Tuesday.

3.1.8. Banking Reconciliations

- 3.1.8.1. Each department must, by the end of the month following the specific month closure, submit the banking reconciliation (generated by BAS) to the Provincial Treasury together with the relevant bank statements and trial balance.

3.1.9. Opening of bank account/ sub-account

- 3.1.9.1. Treasury Regulation 15.10.3.1 stipulates that an institution may not open a bank account without the written approval of the Provincial Treasury.
- 3.1.9.2. If the need should arise for an Accounting Officer to open a bank account or sub-account, full details regarding the need for such an account must be furnished to the Provincial Treasury, preferably at least two (2) months before the account is required.

3.1.10. Transfers to Provincial Exchequer Account

- 3.1.10.1. Treasury Regulation 15.2.3 stipulates that the Head of the Provincial Treasury must nominate one bank account, which is under the control of the Provincial Treasury and is part of the Provincial Revenue Fund, as the accredited account into which all transfers (including conditional grants but excluding agency services) from national departments, must be deposited.
- 3.1.10.2. The accredited account mentioned above is the Provincial exchequer account and Accounting Officers must ensure that the under-mentioned bank details of the Provincial exchequer account are supplied to national departments for transferring purposes.

3.1.10.3. The banking details are as follows:

Bank: Nedbank
Branch: Western Cape Government Banking Branch
Branch Code: 145209
Account Name: Provincial Government of the Western Cape:
 Exchequer Account
Account Number: 1452 045 143

3.1.11. Manual Payment Release

- 3.1.11.1. In addition to the salary payments (mains and weekly supplementary runs), generated by the Personnel and Salary Administration System (PERSAL), it is currently the practice to manually release normal system payments, generated by the Basic Accounting System (BAS) on a weekly basis (Mondays). In practice, this means that normal system generated payments are processed daily while the flow of cash only takes place once per week (Thursdays).
- 3.1.11.2. In the case of extremely urgent payments (PERSAL, LOGIS and BAS), the beneficiary payment facility of the official banker is utilised.
- 3.1.11.3. This manual release process was implemented by Provincial Treasury for the reason that fund transfers (equitable share) from National Treasury (National Revenue Fund) are received on a weekly basis (1/52 of our annual allocation) and not on a daily or monthly basis.
- 3.1.11.4. As the bulk of National Revenue is only received by the National Revenue Fund during the latter part of a month, this regularly resulted in National Treasury having to borrow money to be able to transfer funds on a weekly basis to Provinces (especially the third week of a month).
- 3.1.11.5. To address the issue, National Treasury adopted a rigid cash management practise by not transferring funds (equitable share) to Provinces during the third week of a month and to transfer a double weekly equitable share allocation during the last week of a month.
- 3.1.11.6. As far as Conditional Grants are concerned, these grants are transferred to Provinces on a monthly or quarterly basis in accordance with a mutually agreed upon National Treasury payment schedule. It then also happens occasionally that due to non-compliance to the conditions of a grant or slow spending, that funds are not transferred on the date(s) as stipulated in the payment schedule or not at all.
- 3.1.11.7. Due to the more rigid cash management practices adopted by National Treasury (equitable share) and National Departments (conditional grants) , it resulted in some Departments exceeding their available cash, especially during the third week of a month and at financial year-end.
- 3.1.11.8. To address the situation and ensure that a department's expenditure is aligned to departmental receipts (available cash), no manual payment release will henceforth be activated during the third week of a month when funds are insufficient, to defray expenditure. **Only in exceptional cases** and on condition that sufficient funds are still available from a department's previous week(s) expenditure, will a manual payment release during the third week of a month be considered.
- 3.1.11.9. The decision not to have a manual payment release during the third week of a month

should not have a negative effect on service delivery or result in payments to suppliers not being executed within the thirty (30) day period, on condition that departments ensure that the payment process is properly planned, executed and aligned to the manual release dates. To assist departments in this regard, a schedule of the manual payment release dates for financial year 2009/10 is attached as annexure E.

- 3.1.11.10. It is further important for effective cash flow management to ensure that payments that are only due in thirty (30) days are not paid on receipt of the invoice.
- 3.1.11.11. To assist departments in determining the projected cash available on a weekly basis in respect of equitable share, conditional grants, financing as well as own revenue, a payment schedule per department was compiled and made electronically available to the Chief Financial Officers.
4. Your co-operation and support to ensure effective cash flow management will be greatly appreciated.



A BASTIAANSE

SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS

DATE: 01/06/2009

PROVINCIAL GOVERNMENT OF THE WESTERN CAPE

TRANSFER FROM THE PAYMASTER-GENERAL'S ACCOUNT: _____

SURRENDER OF VOTED SURPLUS FUNDS I.R.O. FINANCIAL YEAR _____

Department of _____

The Financial Asset Manager
Provincial Treasury
CAPE TOWN

Authority is hereby granted for the transfer of R_____ (amount in
words) _____
_____ from the above-mentioned PMG Account to the Provincial
Exchequer Account. See attached schedule.

Yours faithfully

CHIEF FINANCIAL OFFICER

DATE

PROVINCIAL GOVERNMENT OF THE WESTERN CAPE

TRANSFER FROM THE PAYMASTER-GENERAL'S ACCOUNT: _____

SURRENDER OF OWN REVENUE FOR THE MONTH OF _____

Department of _____

The Financial Asset Manager
Provincial Treasury
CAPE TOWN

Authority is hereby granted for the transfer of R_____ (amount in words) _____
_____ from the above-mentioned PMG Account to the Provincial Exchequer Account. See attached schedule.

Yours faithfully

CHIEF FINANCIAL OFFICER

DATE

CHANGE IN ACB LIMIT

The Head: Provincial Treasury

Directorate: Financial Asset Management

For Attention: _____

You are hereby requested to increase/decrease the ACB limit
as follows:

Department _____

ACB user code _____

Limit Type Aggregate
 Item

New Limit _____

Effective Date _____

Period required Permanent
 Temporarily until _____

Chief Financial Officer

NAME: _____

Date _____

NOTE: The Annexure must reach this office before 09:00 on the day after Persal run

DEPARTMENT: _____

ENQUIRIES: _____

TELEPHONE #: _____

THE FINANCIAL ASSET MANAGER
PROVINCIAL TREASURY

PAYMENT IN EXCESS OF R5 MILLION

1. Kindly effect the following payment from the Paymaster-General-Account:

_____ by means of electronic funds transfer (EFT) – value date
_____. (Please complete a separate form per transaction.)

2. **Detail's of Payment:**

Amount : _____

Name of Account : _____

Bank : _____

Branch : _____

Account Number : _____

Branch Code : _____

Reference number : _____

CHIEF FINANCIAL OFFICER

DATE

ANNEXURE E

PERIOD	RELEASE DATE	ACTION DATE
26/05/2009 - 01/06/2009	01/06/2009	04/06/2009
02/06/2009 - 08/06/2009	08/06/2009	11/06/2009
09/06/2009 - 22/06/2009	22/06/2009	25/06/2009
23/06/2009 - 29/06/2009	29/06/2009	02/07/2009
30/06/2009 - 06/07/2009	06/07/2009	09/07/2009
07/07/2009 - 13/07/2009	13/07/2009	16/07/2009
14/07/2009 - 27/07/2009	27/07/2009	30/07/2009
28/07/2009 - 03/08/2009	03/08/2009	06/08/2009
04/08/2009 - 11/08/2009	11/08/2009	14/08/2009
12/08/2009 - 24/08/2009	24/08/2009	27/08/2009
25/08/2009 - 31/08/2009	31/08/2009	03/09/2009
01/09/2009 - 07/09/2009	07/09/2009	10/09/2009
08/09/2009 - 14/09/2009	14/09/2009	17/09/2009
15/09/2009 - 28/09/2009	28/09/2009	01/10/2009
29/09/2009 - 05/10/2009	05/10/2009	08/10/2009
06/10/2009 - 12/10/2009	12/10/2009	15/10/2009
13/10/2009 - 26/10/2009	26/10/2009	29/10/2009
27/10/2009 - 02/11/2009	02/11/2009	05/11/2009
03/11/2009 - 09/11/2009	09/11/2009	12/11/2009
10/11/2009 - 23/11/2009	23/11/2009	26/11/2009
24/11/2009 - 30/11/2009	30/11/2009	03/12/2009
01/12/2009 - 07/12/2009	07/12/2009	10/12/2009
08/12/2009 - 14/12/2009	14/12/2009	18/12/2009
15/12/2009 - 04/01/2010	04/01/2010	07/01/2010
05/01/2010 - 11/01/2010	11/01/2010	14/01/2010
12/01/2010 - 25/01/2010	25/01/2010	28/01/2010
26/01/2010 - 01/02/2010	01/02/2010	04/02/2010
02/02/2010 - 08/02/2010	08/02/2010	11/02/2010
09/02/2010 - 22/02/2010	22/02/2010	25/02/2010
23/02/2010 - 01/03/2010	01/03/2010	04/03/2010
02/03/2010 - 08/03/2010	08/03/2010	11/03/2010
09/03/2010 - 15/03/2010	15/03/2010	18/03/2010
16/03/2010 - 26/03/2010	26/03/2010	31/03/2010
29/03/2010 - 31/03/2010	31/03/2010	07/04/2010