

Reference number: RCS/C.6

Private Bag X9165  
CAPE TOWN  
8000

## TREASURY CIRCULAR NO. 28/2021

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 AND ECONOMIC OPPORTUNITIES

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 EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER D MAYNIER)

THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)

THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER D MAYNIER)

THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER D MAYNIER)

THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)

THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)

THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)

THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER IH MEYER)

THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER A FRITZ)

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (DR H MALILA)

THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R ADAMS)

THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR D SAVAGE)

THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (ADV. Y PILLAY)

THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR B WALTERS)

THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR K CLOETE)

THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)

THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MS P MAYISELA)

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 (DR M SEBOPETSA)

THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)

THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR G REDMAN)

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 A SMIT)

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 S KAYE)

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 RT MOSOME)

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 ACCOUNTING AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MR D LAKAY)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (PROF D HENDRICKS)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR M SPICER)  
 THE ACCOUNTING AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (DR J STEGMANN)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE HERITAGE (MR M DLAMUKA)  
 THE ACCOUNTING AUTHORITY: CASIDRA (MR A MOOS)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (ADV. T SIDAKI)  
 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 (MS K BEUKES)  
 THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR S SYMINGTON)  
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (ADV. L PETERSEN) (ACTING)  
 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 (MR S GCWABE)  
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 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MS A ABOO)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE) (ACTING)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)  
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)  
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 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 SURPLUSES BY PUBLIC ENTITIES LISTED IN SCHEDULE 3C OF THE PFMA PUBLIC FINANCE MANAGEMENT ACT, 1999 (ACT 1 OF 1999) (PFMA)**

### **PURPOSE**

1. The National Treasury has repealed National Treasury Instruction No. 6 of 2017/18 on retention of cash surpluses which informs PT Circular No 8 of 2018.
2. To provide the revised provisions to the Accounting Authorities (AA), Chief Executive Officers (CEO) and Chief Financial Officers (CFO) of Schedule 3C of the PFMA Public Entities as well as the Accounting Officers (AO) 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. 12 of 2020/21.

## 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) of the PFMA, 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 National Treasury has been obtained.
6. In terms of National Treasury Regulations (NTR) 19.7.1 regarding the surrender of surplus funds, 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. NTR 31.3.5 states that 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 1 August to 30 September using their audited annual financial statements as the basis for the calculation of surpluses or deficits.
12. Accounting authorities of Schedule 3C Public Entities may not utilise surplus funds realised in a particular financial year prior to obtaining written approval from the Provincial Treasury to retain such surpluses.
13. A nil return must be submitted by all Public Entities that have not realised any cash surpluses or deficits to the Provincial Treasury from the period of 1 August to 30 September annually.
14. Public Entities listed in Schedules 3C whose founding legislation preclude such entities from surrendering surpluses to the relevant Revenue Fund must take note that section 3(3) of the PFMA provides that; in the event of any inconsistency between the PFMA and other legislation, the PFMA prevails.

### **Submission of requests to Provincial Treasury 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 the previous financial year between 1 August to 30 September annually (see Annexure A and Annexure B).
16. The Accounting Authorities must submit their requests, through their designated departments to the Provincial Treasury to retain their surpluses in terms of Section 53(3) of the PFMA.
17. The submissions to the Provincial Treasury to declare and accumulate cash surpluses must be accompanied by the following documentation:
  - a) A calculation that was used to derive the amount of the cash surplus (see Annexure A);
  - b) A copy of the audited annual financial statements including notes to these audited financial statements;
  - c) A paragraph detailing how previously approved cash surpluses were utilised by the public entity;
  - d) A motivation detailing how the surpluses arose and why the surplus should be considered for approval (by providing specific details such as working capital requirements) and;
  - e) Detailed information on contingent liabilities if any (with an indication of when these may be realised);
  - f) Detailed information on how the current surpluses is intended to be used if retained by the entity.

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

18. 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 the Provincial Treasury to retain cash surplus in terms of section 53(3) of the PFMA.
19. The cash surpluses referred to in paragraph 18 above must be surrendered for re-depositing into the Provincial Revenue Fund by no later than 30 November annually.
20. Failure by a public entity to submit a surplus retention request to the Provincial Treasury by 30 September each year will result in the entity having to surrender the surplus to the Provincial Revenue Fund by 30 November (as per paragraph 18(b)) above, unless there has been a delay in the finalisation of the audit.
21. In the case of a delay in the finalisation of the audit:
  - a) A letter must be sent to the Provincial Treasury by the 30<sup>th</sup> September explaining the delay.
  - b) The surplus retention request must be submitted to the Provincial Treasury within 30 days of finalising the audit.

**Actions required**

22. 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 and the signed copies must be submitted not later than 30 September via e-mail to [Nontyatyambo.Zozoba@westerncape.gov.za](mailto:Nontyatyambo.Zozoba@westerncape.gov.za).

**DR R HAVEMANN**

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

**DATE:**