



Department of Finance

Litiko LeteTimali

UmNyango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

TREASURY CIRCULAR NO 27 OF 2010

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR RM MOROPA)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MR RS TSHUKUDU)
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)
THE ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR IN KHOZA)
THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR JJ MAHLANGU)
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJWARA)
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI) ACTING
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENT (MR D DUBE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MS P NGWENYA) ACTING
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)
THE CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MS PA SEMENYA)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)
THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS B LAURENCE)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSHWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR CB MNISI)
THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MS PN MOJAPELO)
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI) ACTING
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN) ACTING
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENT (MR CT DLAMINI)

SUBJECT: CASH MANAGEMENT MANUAL AND PROCESS FLOW

BACKGROUND

It is government key policy objective to ensure that public funds are spent within the framework of time and value for money, that is efficiently, effectively and economical so that it has sufficient funds to meet its obligations. (Refer PFMA Act 29 of 1999 S 38)

Cash management is established in terms of Treasury Regulations Chapter 15, which states that each Treasury is responsible for the effective and efficient management of its Revenue Fund. Treasury must ensure that its Revenue Fund always has sufficient money for appropriated expenditure and direct charges to meet the progressive cash flow requirements of the province.

The Provincial Treasury must ensure that the departments:

- Prepare proper annual cash flow projections and adjust them as conditions change. (S40 (4) of PFMA)
- Manage their cash within the framework of value for money and time value of money in promoting sound cash management (S38 (1) (b) of the PFMA)
- Request for transfer of conditional grants from Provincial treasury (in writing) as and when available and /or required by the relevant department
- Prepare and submit to Provincial treasury reconciliation of their bank accounts on a monthly basis

SECTION 40 PROJECTIONS

Section 40 4(a) PFMA states that the accounting officer of a department must each year before the beginning of the period submit to the relevant Treasury in a prescribed format a breakdown per month of anticipated revenue and expenditure of that department for that financial year.

The section (40)4 projections from all the departments are then consolidated and submitted to National Treasury by the 15 March of every year on a format prescribed by National Treasury.

PROVINCIAL PAYMENT SCHEDULE

National Treasury then prepares Provincial Payment schedule based on the Section (40)(4)(a) projections submitted by provincial treasuries. The payment schedule indicates all transfers related to the provincial equitable share and conditional grant allocations and the dates of the actual flow.

Equitable share is received from National Treasury transfers in three installments per month when it is a four-week month and four installments per month when it is a five-week month. The monthly equitable shares to be transferred are based on the monthly cash flow projections for that financial year submitted by provincial treasuries in terms of Section 40(4)(a) of the PFMA.

The Conditional Grants are received from National Treasury in accordance with the payment schedule determined in terms of the annual Division of Revenue Act.

DEPARTMENTAL PAYMENT SCHEDULE

Upon the receipt of the provincial payment schedule a template with specific dates is then send through to departments. Based on the monthly projections submitted to National Treasury, departments are then requested to provide a further weekly breakdown to align their expenditure with the cash available and the dates of the actual flow of cash into the Province.

The weekly cash flow projections from the departments are then consolidated into a departmental payment schedule and this schedule is utilised to effect weekly transfers to departments.

TRANSFER OF CASH TO DEPARTMENTS

Transfer of cash to the department is two folds: that is the transfer of equitable share and the transfer of conditional grants.

- **Equitable share transfers**

Equitable share is transferred to the departments three times a month according to the departmental payment schedule, except for Department of Education which receives four transfers a month.

- **Conditional Grants transfers**

Conditional grants are transferred to the departments as per written requests from departments to avoid locking up cash unnecessarily in the Pay Master General accounts and utilising conditional grant funds for unrelated expenditure.

WITHOLDING OF FUNDS

In terms of Treasury regulations 15.9.1 each treasury must account daily for the cash movements of all the bank accounts in the books of its revenue fund. Accordingly a monitoring tool has been put in place in the form of Online banking system to facilitate the monitoring of all the revenue fund accounts.

Daily monitoring of cash movements in departmental Pay Master General (PMG) accounts to ensure that (1) cash is not locked unnecessarily in the back account and (2) that accounts have sufficient funds for appropriated expenditure and direct charges to avoid or prevent overdrafts

If it is observed that a department is unnecessarily locking funds in the Pay Master General (PMG) account in promoting sound cash management the Provincial Treasury informs the department and then withhold the transfer of funds for that specific transfer date. The department will then be requested to revise the projections for the remaining period.

REVISION OF PROJECTIONS/ADDITIONAL REQUESTS FOR CASH

Treasury Regulations section 15.10.2.4 which stipulates that should the Accounting Officer requires to adjust the approved projections; the proposed adjustment must be motivated to the relevant treasury for evaluation against the **availability of funds in the Exchequer**.

Accordingly the request for additional cash or the revision of approved cash flow projection will either be approved or disapproved subject to the availability or non-availability of funds in the Exchequer account.

BANK OVERDRAFTS

In terms of Treasury Regulations (15) 10, the Accounting Officer is responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management. It further states that sound cash management includes timing the **in** and **outflow** of cash.

Bank overdrafts are not allowed, the interest paid on that is regarded as fruitless and wasteful expenditure. Treasury regulations also state that the Accounting officer must exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure and determine the appropriate disciplinary steps against an official who committed this.

ONLINE BANKING

The departments are also reminded that the current banking services provider (**First National Bank**) and Treasury have provided all departments with access to view and download bank statements on-line. This was done to assist the departments to monitor and have control over their Paymaster General Account on daily basis before any payments can be authorised. An audit on the use of online banking by departments was conducted and the following was observed:

- Some departments are not making use of the facility
- In other departments officials that were given access to the facility are no longer working for the department.

Departments are therefore requested to use this facility to assist in sound cash management and also advise Provincial Treasury as to update of new users and remove the officials that are no longer working for the department.

MONTHLY BANK RECONCILIATION

Departments are also advised to submit monthly bank reconciliation of the PMG accounts as prescribed by Treasury Regulations.


MR M MAZIBUKO
HEAD OF DEPARTMENT
Date: 23/11/2010