



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

- TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS**
- : ACCOUNTING OFFICERS OF CONSTITUTIONAL INSTITUTIONS**
 - : ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 3A AND 3C TO THE PFMA**
 - : HEAD OFFICIALS OF PROVINCIAL TREASURIES**

NATIONAL TREASURY INSTRUCTION NO. 3 OF 2015/2016

RETENTION OF CASH SURPLUSES BY CONSTITUTIONAL INSTITUTIONS AND PUBLIC ENTITIES LISTED IN SCHEDULE 3A AND 3C TO THE PUBLIC FINANCE MANAGEMENT ACT (PFMA), 1999 (ACT NO. 1 OF 1999)

1. PURPOSE

- 1.1. The purpose of this Treasury Instruction is to prescribe measures for:
- (a) constitutional institutions and public entities listed in Schedule 3A and 3C to the PFMA to declare cash surpluses; and
 - (b) public entities listed in Schedules 3A and 3C to the PFMA to retain cash surpluses in terms section 53(3) of the PFMA.

2. BACKGROUND

- 2.1 In terms of section 53(1) of the PFMA, the accounting authority of a public entity listed in Schedule 3A or 3C to the PFMA must submit a budget of estimated revenue and expenditure for that financial year for approval by the executive authority responsible for that public entity.
- 2.2 This budget submission to the executive authority referred to in paragraph 2.1 must take place at least six months before the start of the financial year of the designated department or another period as may be agreed between the executive authority and the public entity.

3. ACCUMULATION OF CASH SURPLUSES BY PUBLIC ENTITIES LISTED IN SCHEDULES 3A AND 3C TO THE PFMA

- 3.1 In terms of section 53(3) of the PFMA, public entities listed in Schedules 3A and 3C to the PFMA may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of the National Treasury.

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3.2 The surplus referred to in section 53(3) of the PFMA and in paragraph 3.1 is a reference to a public entity's cash surplus, which is based on its cash flow from operating activities and net investing activities in financial assets.

4. DELEGATION TO HEADS OF ALL PROVINCIAL TREASURIES

4.1 In terms of section 17(2) of the PFMA, the MEC for Finance in a province is the Head of the relevant provincial treasury.

4.2 As indicated in paragraph 3.1, section 53(3) of the PFMA provides that public entities listed in Schedules 3A and 3C to the PFMA may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of the National Treasury.

4.3 On 29 August 2001, the Minister of Finance delegated the National Treasury's power to approve the retention of cash surpluses of Schedule 3C public entities to the Heads of all Provincial Treasuries.

4.4 The delegation referred to in paragraph 4.3 was issued by the Minister of Finance in terms of sections 10(1)(b) and 10(2)(c) of the PFMA and provides for the MEC for Finance to sub-delegate this power to Head Officials of their respective Provincial Treasuries.

4.5 A copy of the delegation referred to in paragraph 4.3 is attached as **Annexure A**.

5. DECLARATION OF CASH SURPLUSES BY PUBLIC ENTITIES LISTED IN SCHEDULE 3A AND 3C TO THE PFMA

5.1 Accounting authorities of public entities listed in Schedules 3A and 3C to the PFMA must annually declare all cash surpluses or deficits to the relevant treasury by 31 May of each year.

5.2 Public entities listed in Schedules 3A and 3C to the PFMA that have not realized any cash surpluses or deficits must submit a nil return to the relevant treasury by 31 May of each year.

6. SUBMISSIONS OF REQUESTS TO THE RELEVANT TREASURY TO ACCUMULATE CASH SURPLUSES IN TERMS OF SECTION 53(3) OF THE PFMA

6.1 Accounting authorities of public entities listed in Schedules 3A and 3C to the PFMA must submit requests to the relevant treasury to retain cash surpluses that have been realized in a particular financial year.

6.2 The submission referred to in paragraph 6.1 must be presented to the relevant treasury when the annual financial statements of the public entity are submitted for audit, i.e. by no later than 31 May of each year.

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- 6.3 In the event that the public entity listed in Schedule 3A and 3C to the PFMA amends its financial statements as a result of the audit thereon, the accounting authority of such a public entity must re-submit a request referred to in paragraph 6.1 to the relevant treasury if the adjustments affected the cash surpluses previously declared.
- 6.4 The resubmission referred to in paragraph 6.3 must be made no later than 31 August of each year.
- 6.5 Submissions to the relevant treasury to retain cash surpluses must be accompanied by the following:
- (a) the reconciliation that was used to arrive at the amount of the cash surplus;
 - (b) a copy of the cash flow statement submitted for audit;
 - (c) a paragraph detailing how previously approved cash surpluses were utilized by the public entity;
 - (d) a motivation detailing why the cash surplus should be considered for approval; and
 - (e) if a request was resubmitted in terms of paragraph 6.4, a reconciliation of transactions, events and conditions adjusted after the annual financial statements were submitted for audit.
- 6.6 Accounting authorities submitting requests to the relevant treasury to retain cash surpluses in terms of section 53(3) of the PFMA must forward a copy of the request to the accounting officer of the designated department within five (5) days of submitting such a request to the relevant treasury.
- 7. SURRENDER OF CASH SURPLUSES BY PUBLIC ENTITIES LISTED IN SCHEDULES 3A AND 3C TO THE PFMA**
- 7.1 Public entities listed in Schedules 3A and 3C to the PFMA must, through their respective designated departments, surrender for re-depositing into the relevant Revenue Fund, all cash surpluses that were realized in a particular financial year –
- (a) which were not approved for retention by the relevant treasury in terms of section 53(3) of the PFMA; or
 - (b) where no application was made to the relevant treasury to retain the cash surplus in terms of section 53(3) of the PFMA.
- 7.2 The cash surpluses referred to in paragraph 7.1 must be surrendered for re-depositing into the relevant Revenue Fund by no later than 30 September of each year.

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8. DECLARATION OF CASH SURPLUSES BY CONSTITUTIONAL INSTITUTIONS

- 8.1 Accounting officers of constitutional institutions must declare and surrender all cash surpluses realized in their respective institutions for re-depositing into the National Revenue Fund.
- 8.2 The National Treasury may upon declaration of cash surpluses by the accounting officer of a constitutional institution:
- (a) grant approval for the accounting officer of a constitutional institution to retain part of or the entire cash surplus;
 - (b) decide to apply the cash surplus to reduce any proposed future allocation to the constitutional institution; or
 - (c) require that part of or the entire cash surplus be re-deposited to the National Revenue Fund through the department from which the constitutional institution receives its transfers and subsidies.
- 8.3 To ensure uniformity in the administration of cash surpluses and interest earned on bank accounts, accounting officers of constitutional institutions must also declare all interest earned on such cash surpluses for re-depositing into the National Revenue Fund through the department from which the constitutional institution receives its transfers and subsidies.
- 8.4 The declarations and surrender of cash surpluses referred to in paragraphs 8.1, 8.2 and 8.3 of this Treasury Instruction must be re-deposited into the National Revenue Fund by 30 September of each year.

9. APPLICABILITY

This Treasury Instruction applies to all constitutional institutions and to all public entities listed in Schedules 3A and 3C to the PFMA.

10. EFFECTIVE DATE

This Treasury Instruction takes effect from 1 September 2015.

11. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 11.1 Accounting officers of national departments are requested to bring the contents of this Treasury Instruction to the attention of:
- (a) accounting officers of constitutional institutions that receive transfers and subsidies from the votes of their respective departments; and
 - (b) accounting authorities of public entities listed in Schedule 3A to the PFMA which report to the executive authority of their respective departments.

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11.2 Head officials of provincial treasuries are requested to bring the contents of this Treasury Instruction to the attention of provincial departments and public entities listed in Schedule 3C to the PFMA.

12. AUTHORITY FOR THIS TREASURY INSTRUCTION

This Treasury Instruction is issued in terms of section 76(4) (g) of the PFMA.

13. CONTACT INFORMATION

13.1 Enquiries related to this Treasury Instruction may be directed to:

Jayce M Nair

Chief Director: Governance Monitoring and Compliance

Phone: 012 315 5482

Email: oagqueries@treasury.gov.za; or

Query logging system: <http://pfmportal.treasury.gov.za/>

13.2 All written requests for the retention of surpluses by constitutional institutions and public entities listed in Schedule 3A to the PFMA must be forwarded to:

The Director-General

National Treasury

Private Bag X115

PRETORIA

0001

For attention: The Deputy Director-General: Public Finance

13.3 Written requests may also be e-mailed to: surpluses@treasury.gov.za


MICHAEL SASS

ACCOUNTANT-GENERAL

DATE: 12 August 2015

DELEGATIONS

DELEGATION OF POWERS IN TERMS OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 BY THE MINISTER OF FINANCE TO THE HEADS OF PROVINCIAL TREASURIES

By virtue of the authority vested in me by section 10(1)(b) of the Public Finance Management Act, 1999 (Act No 1 of 1999), read in conjunction with section 10(6) of the Interpretation Act, 1957 (Act No 33 of 1957), I, **TREVOR ANDREW MANUEL, MINISTER OF FINANCE**, hereby delegate the power contemplated in column 2 of the Schedule, to the heads of provincial treasuries mentioned in column 3.

GENERAL

1. In the absence of the permanent incumbents of the posts mentioned in column 3, the persons acting in temporary capacities in the relevant posts shall exercise the powers, duties and functions.
2. In terms of section 10(2)(c) of the PFMA, the heads of provincial treasuries may sub-delegate the power, in writing, to the head official of that provincial treasury.

SIGNED AT Pretoria ON THIS 29 DAY OF August
2001.


MINISTER OF FINANCE

SCHEDULE

Delegation of powers, duties and functions of the National Treasury as contemplated in the Public Finance Management Act, 1999

Section (Column 1)	Power (Column 2)	Delegated to (Column 3)
53(3)	To approve in writing that schedule 3C public entities may budget for deficits and may accumulate surpluses	All heads of provincial treasuries