



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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M E M O

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ALL ACCOUNTING OFFICERS AND CHIEF FINANCIAL OFFICERS OF NATIONAL DEPARTMENTS

ASSET AND LIABILITY MANAGEMENT DIVISION PRACTICE NOTE 1 OF 2004/05

PROCEDURES TO REPORT INTRA-DAY CASH FLOWS AND TO DEPOSIT DEPARTMENTAL RECEIPTS

PURPOSE

1. To inform National Departments of the revised procedures to report intra-day expenditure and receipt flows.
2. To inform National Departments that all money collected and received from commercial bank sources must be deposited into the deposit accounts of National Departments held at commercial banks.

BACKGROUND

3. All national government receipts (taxes, proceeds from the restructuring of state assets, departmental revenue, loan receipts) are paid into the National Revenue Fund. Departments draw on this fund for expenditure on government services, interest payments and the repayment of debt. All surplus cash of the exchequer is deposited daily into the tax and loan accounts at the four major commercial banks.
4. It is the responsibility of the Directorate Cash Management within the National Treasury to maintain adequate liquidity in the National Revenue Fund and to actively manage liquidity risk associated, for example, with the need to refinance maturing debt and the uneven timing of cash flows. To do this reliable forecasts of government's expenditure and receipts are required. With the cooperation of national government

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departments and electronic information from government's accounting systems and from the South African Reserve Bank (SARB), the Cash Management Directorate can now project intra-day expenditure flows with a great degree of accuracy.

5. The improved accuracy of the expenditure cash flow projections made it possible to decrease the daily exchequer liquidity buffer from R500 million to R250 million from 1 February 2003 and to R100 million from 1 August 2003.
6. In addition to forecast expenditure, reliable forecasts of National Revenue Fund receipts are needed for cash flow forecasting purposes. The current projections of the daily departmental receipts are not accurate and results in the exchequer balance at the SARB, on which interest is not earned, being higher than forecast and therefore, government's surplus cash not being optimally invested.
7. To improve the accuracy of forecasts of departmental receipts and expenditure, this practice note provides the reporting guidelines, which National Departments must comply to.

DEPOSITS INTO DEPARTMENTAL DEPOSIT ACCOUNTS

8. In the Office of the Accountant General practice note 4 of 2001 departments were requested to open a deposit account at their commercial bank wherein all money collected or received from commercial bank sources should be deposited. These deposit accounts are swept daily by the commercial banks to the respective departments' PMG accounts at the SARB.
9. Currently all departmental receipts from commercial bank sources do not flow through the deposit accounts of departments. Deposits from commercial bank sources are at times made directly into the PMG accounts of departments at the SARB.
10. National Departments should ensure that all payments to departments, which are made from commercial bank sources, should be made to the deposit accounts of departments at commercial banks.
11. These deposits need not be reported to the Directorate Cash Management in National Treasury because the commercial banks inform the National Treasury when money is transferred from the departments' deposit accounts to their PMG accounts at the SARB.

TRANSFERS BETWEEN GOVERNMENT ACCOUNTS AT THE SARB

12. The following intergovernmental transfers are made between government accounts held at the SARB:
 - the surrender of unused money by transferring money from a department's PMG account to the exchequer account;

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- the transfer of money from one PMG account to other PMG accounts; and
 - the transfer of departmental revenue from PMG accounts to an exchequer sub-account as prescribed by the Office of the Accountant General practice note 3 of 2004.
13. These intergovernmental transfers are made using the BAS and other government accounting systems when values are less than R5 million. For values of more than R5 million, telegraphic fund transfer instructions are delivered by hand to the SARB to make such internal transfers. Departments at times also use telegraphic fund transfer instructions for values less than R5 million.
14. Intergovernmental transfers made by means of BAS and other government accounting systems need not be reported to the Directorate Cash Management. Those made by means of the telegraphic Funds Transfer system and the Central Banking System (CBS) of the SARB should be reported. The reporting procedures prescribed in paragraph 6 must be followed.

PAYMENTS TO NON-SARB ACCOUNTS

15. Payments of less than R5 million, to accounts not with the SARB, are made using the BAS, PERSAL, and other government accounting systems. To make payments with values of more than R5 million, telegraphic fund transfer instructions are delivered by hand to the SARB. The CBS system of the SARB is also used by some departments to make payments.
16. Departments do not need to report payments made via the BAS and PERSAL systems because the respective system managers report these payments to the Directorate Cash Management. Payments by the South African Police Services, the Department of Defence, etc., made on their own systems must be reported to the Directorate Cash Management.
17. All payments made using a telegraphic fund transfer instruction to the SARB or the CBS systems must be reported.

PROCEDURE TO REPORT PROJECTED CASH FLOWS TO THE DIRECTORATE CASH MANAGEMENT

18. A summary of the guidelines applicable to departments when reporting projected cash flows is set out in **Annexure A**.
19. Currently National Departments report cash flows to the Directorate Cash Management using telephonic or facsimile messages. When reporting a reference number is provided. To streamline the reporting process an e-mail address to which National Departments will as from 1 June 2004 report their cash flows has been set

up. The e-mail address is cash.management@treasury.gov.za. The e-mail address may also be used for any other communication with the Cash Management Directorate.

20. The procedures to be followed are as follows:

- Reporting should be made as far as possible before 11:00 on the day the cash will physically move from the PMG account.
- Departments will be provided with a template that can be downloaded from the National Treasury's website as part of the Practice Note, **Annexure B**.
- Departments will use this template, which will be in a form of a spreadsheet to report both their expenditure and receipts.
- This template will then be sent to the Directorate Cash Management via e-mail to the aforementioned address.
- The Directorate Cash Management will within an hour provide a reference number when replying to the reporting e-mail.

21. Departments are requested to phone the Cash Management Division if no reply (reference number) has been received within 1 hour after the cash flow has been reported. If the e-mail facilities are not operational, Departments should report cash flows by telephone or facsimile. A reference number will be provided. See the telephone detail in paragraph 7.1.

22. In the event of the Cash Management Directorate not being available at these numbers (e.g. strategic planning meetings and team building sessions) a telephone message will direct Departments to alternative contact numbers.

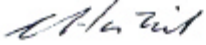
CONTACT DETAILS

23. The contact details of the Cash Management Team are as follows:

<u>Name</u>	<u>Contact details</u>
Johan Redelinghuys	012-315 5297(tel) 012-315 5810 (fax) 082 458 7934 (cell) johan.redelinghuys@treasury.gov.za
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Issued by the Directorate Cash management within the Asset and Liability Management Division.



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Head: Asset and Liability Management Division

ANNEXURE A

SUMMARY OF CASH FLOW REPORTING GUIDELINES

Payment Method	To be Reported	Not to be Reported
<u>Deposits received</u>		
– Into deposit account with commercial bank	-	v
– Into PMG account from a commercial bank account	v	-
<u>Transfers between accounts at SARB (Intergovernmental transfers)</u>		
– BAS system	-	v
– Systems other than BAS (systems used by Police, Defense, etc.)	v	-
– Telegraphic fund transfers via SARB	v	-
– Central Banking Systems (CBS) via SARB	v	-
<u>Payments other than SARB accounts (to commercial bank accounts)</u>		
– BAS and PERSAL systems	-	v
– Systems other than BAS and PERSAL (systems used by Police, Defense, etc.)	v	-
– Telegraphic fund transfers via SARB	v	-
– Central Banking Systems (CBS) of SARB	v	-

ANNEXURE B

NAME OF DEPARTMENT:			
DAILY EXPENDITURE REPORT			
Payment date 1	Payment method – TT, BS or CBS 2	Total amount to be paid 3	Destination Account – Reserve Bank (RB) or Commercial Bank (CB) 4

COMMENTS

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NOTES

1. The payment date is the date on which the cash will physically move from the account
2. Indicate the method of payment by using TT for telegraphic fund transfer via the SARB, BS for Bank Serv (old ACB) payments or CBS for Central Banking System payments.
3. The payments should be rounded to the nearest rand.
4. Indicate whether the payment will be made to a South African Reserve Bank account (Intergovernmental transfer) or a commercial bank account by typing RB or CB.