



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. 6 OF 2017/2018

RETENTION OF 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 repeal the National Treasury Instruction No. 3 of 2015/2016 on the retention of cash surpluses; and
- 1.2 Introduce the revised provisions on the retention of surpluses that are to be followed by accounting officers of constitutional institutions and accounting authorities of public entities listed in Schedule 3A and 3C to the PFMA.

2. BACKGROUND

- 2.1 In terms of section 53(1) of the PFMA, the accounting authority for a public entity listed in Schedule 3 which is not a government business enterprise must submit to the executive authority responsible for that public entity, at least six months before the start of the financial year of the department designated 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.
- 2.2 Section 53(3) of the PFMA, requires a public entity which must submit a budget in terms of section 53(1) of the PFMA, not to budget for a deficit and not accumulate surpluses unless the prior written approval of the National Treasury has been obtained.

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2.3 On 12 August 2015, the National Treasury issued a Treasury Instruction No 3 of 2015/2016 to prescribe measures for constitutional institutions to declare surpluses and for public entities listed in Schedules 3A and 3C to the PFMA to declare and surrender all surpluses which were realized in a particular financial year.

2.4 The said Treasury Instruction took effect on 1 September 2015.

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

3.1 Public entities listed in Schedules 3A and 3C to the PFMA may not accumulate surpluses¹ that were realized in the previous financial year without obtaining prior written approval of the National Treasury.

3.2 The surplus referred to in section 53(3) of the PFMA and in paragraph 3.1 above is a reference to a public entity's surplus as demonstrated in the enclosed **Annexure A** to this Treasury Instruction, which is based on cash and cash equivalents plus receivables less current liabilities and commitments² at the end of the financial year.

4. DELEGATION TO HEADS OF ALL PROVINCIAL TREASURIES

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

4.2 On 29 August 2001, the Minister of Finance delegated the National Treasury's power to approve the accumulation of surpluses for Schedule 3C public entities to the heads of all provincial treasuries.

4.3 The delegation referred to in paragraph 4.2 above 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.

4.4 A copy of the delegation referred to in paragraph 4.2 above is contained in the enclosed **Annexure B** to this Treasury Instruction.

¹ For the purposes of this Treasury Instruction, **surpluses** referred to in this Treasury Instruction refers to excess funds, unspent funds or unutilized funds at the end of the financial year.

² **A commitment** is a contractual arrangement that binds the entity to incur future expenditure based on items that are still to be received. These commitments must have been contracted and budgeted for in the previous financial year.

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5. DECLARATION OF ACCUMULATED SURPLUSES BY PUBLIC ENTITIES LISTED IN SCHEDULES 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 surpluses or deficits to the relevant treasury from the period 31 May to 30 September of each year.
- 5.2 Public entities listed in Schedules 3A and 3C to the PFMA that have not realised any surpluses or deficits must submit a nil return to the relevant treasury from the period 31 May to 30 September of each year.
- 5.3 Public Entities listed in Schedules 3A and 3C whose founding legislation preclude such entities from surrendering surpluses to the relevant Revenue Fund must inform the relevant treasury in writing that the founding legislation regulates how they must utilise their surplus funds.
- 5.4 Notwithstanding the provisions of paragraph 5.3 above, section 3(3) of the PFMA indicates that in the event of any inconsistency between the Act (PFMA) and any other legislation, the Act (PFMA) prevails.

6. SUBMISSIONS OF REQUESTS TO THE RELEVANT TREASURY TO ACCUMULATE 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 formal requests to the relevant treasury to retain surpluses that have been realised in a particular financial year³.
- 6.2 The submission referred to in paragraph 6.1 above must be presented to the relevant treasury from the period 31 May to 30 September each year as indicated in the enclosed **Annexure C**.
- 6.3 Requests submitted to the relevant treasury to retain surpluses must be accompanied by the following:
- (a) the calculation that was used to arrive at the amount of the surplus as contained in the enclosed **Annexure A**;
 - (b) a copy of the annual financial statements;

³ This refers to the previous financial year.

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- (c) a list of commitments that were deducted to arrive at the surplus approved by a duly authorised official;
 - (d) a paragraph detailing how previously approved surpluses were utilised by the public entity; and
 - (e) a motivation detailing why the surplus should be considered for approval (i.e) provide specific details such as, provisions of the founding legislation of the public entity dealing with surpluses, financial implications and expenditure projections.
- 6.4 Accounting authorities submitting requests to the relevant treasury to retain 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 working days of submitting the request to the relevant treasury.
- 7. SURRENDER OF 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 designated departments, surrender for re-depositing into the relevant Revenue Fund, all surpluses that were realised 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 accumulate the surplus in terms of section 53(3) of the PFMA.
- 7.2 The surpluses referred to in paragraph 7.1 above, must be surrendered for re-depositing into the relevant Revenue Fund by no later than 30 November of each year as indicated in the enclosed **Annexure C**.
- 8. DECLARATION OF SURPLUSES BY CONSTITUTIONAL INSTITUTIONS**
- 8.1 Accounting officers of constitutional institutions must declare and surrender all surpluses realised in their respective institutions for re-depositing into the National Revenue Fund.
- 8.2 The National Treasury may upon declaration of surpluses by the accounting officer of a constitution institution:

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- (a) grant approval for the accounting officer of a constitutional institution to retain part or the entire surplus;
 - (b) decide to apply the surplus to reduce any proposed future allocation to the constitutional institution; or
 - (c) require that all or part of the surplus be re-deposited to the National Revenue Fund through the department from which the constitutional institution receives its transfers and subsidies.
- 8.3 Accounting officers of constitutional institutions must also declare all interest earned on surpluses and surrender the interest earned for re-depositing into the National Revenue Fund through the department from which the constitutional institution receives its transfers and subsidies.
- 8.4 The surpluses surrendered must be re-deposited into the National Revenue Fund by 30 November of each year as indicated in the attached **Annexure C**.
- 9. APPLICABILITY**
- This Treasury Instruction applies to all constitutional institutions and public entities listed in Schedules 3A and 3C to the PFMA.
- 10. REPEAL OF NATIONAL TREASURY INSTRUCTION NO. 03 OF 2015/2016**
- This Treasury Instruction repeals the National Treasury Instruction No. 03 of 2015/2016 issued on the Retention of Cash Surpluses by Constitutional Institutions and Public Entities listed in Schedules 3A and 3C of the PFMA as dated 12 August 2015.
- 11. EFFECTIVE DATE**
- This Treasury Instruction takes effect from date of issue for surpluses realised in the previous financial year and subsequent financial years whichever applicable.
- 12. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION**
- 12.1 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

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(b) accounting authorities of public entities listed in Schedules 3A to the PFMA which report to the executive authority of their respective departments.

12.2 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.

13. AUTHORITY FOR THIS TREASURY INSTRUCTION

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

14. CONTACT INFORMATION

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

Nangamso Mgudu

Senior Financial Analyst

Office of the Accountant-General

Governance Monitoring and Compliance

Phone: 012 315-5532

Email: oagqueries@treasury.gov.za;

14.2 All written requests for the declaration and 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

14.3 All written requests for the retention of surpluses by public entities listed in Schedule 3C to the PFMA must be forwarded to the respective provincial treasuries.



KAREN MAREE

ACTING ACCOUNTANT-GENERAL

DATE: 25/05/2017

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ANNEXURE A

FORMULA FOR CALCULATION OF A SURPLUSES

Calculation in terms of Paragraph 3.2 of the National Treasury Instruction No 6 of 2017/2018

	R
<i>Cash and cash equivalents at the end of the year</i>	xxx
<u>Add:</u> <i>Receivables</i>	xxx
<u>Less:</u> <i>Current liabilities</i>	(xxx)
<u>Less:</u> <i>Commitments</i>	(xxx)
Surplus	XXX

Retention of surpluses by constitutional institutions and public entities listed in Schedules 3A and 3C to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999)

ANNEXURE B

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 Retolua 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

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ANNEXURE C

PROCESS TO BE FOLLOWED BY ACCOUNTING AUTHORITIES WHEN DECLARING AND SURRENDERING SURPLUSES

