

NATIONAL TREASURY

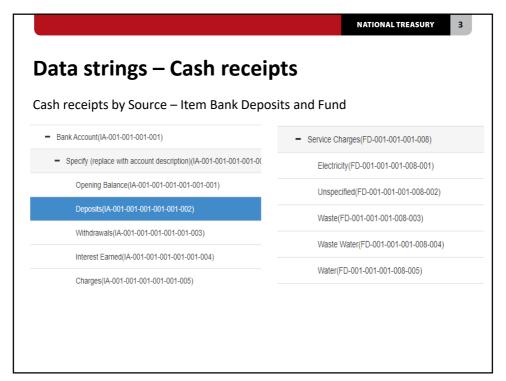
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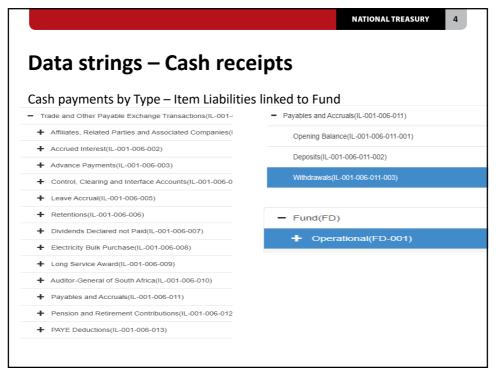
Cash Flow Tables

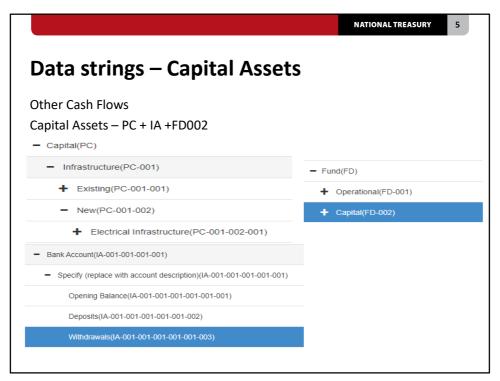
Problem Statement

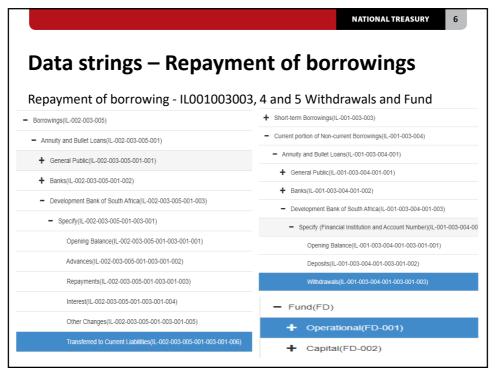
Municipalities are failing to populate the cash flow schedules from the data stings.

- Municipalities are not utilising the *m*SCOA Item and Fund segments correctly, to populate their cash flow information
- Municipalities are not mapping from the data strings to the cash flow schedules correctly
- Municipalities are not practising Balance Sheet budgeting resulting in no movement accounting, thus incorrect figures reported in the cash flow schedules e.g., Budgeting Assets and Liabilities
- Municipalities are not budgeting, transacting and reporting directly in or from their core financial systems
- Balance sheet budgeting and Movement Accounting are not utilised in compiling the budget data strings
- · Transacting and reporting must follow these data strings.









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Investigations revealed...

- Some challenges on the linking was identified by various sources and items were outstanding.
- Guidance on Fund segment was investigated and clarity was provided in Circular 11
- ✓ Main rule If data string contains Non-Funding in the fund segment the Cash flow will not populate



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Unresolved issues with solution (1)

Clarification of unresolved Cash Flow issues:

Unallocated Deposits

Receipts of unidentified monies that was deposited in the bank will be picked from (IA001)

Credit side must be:

Item: Liability: Current liabilities: Unallocated deposits: Deposits

Fund: Operational: Revenue: General Revenue: Service Charges: Unspecified

This linkage will populate the cashflow

- VAT should be setup to pay the full amount
- When the receipt is identified the VAT must be corrected in the Billing sub-system.
- Capital Assets payment will populate the Cash flow

Linking: Project: Project Capital

Item: Bank Withdrawals and Fund: FD002 only

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Unresolved issues with solution (2)

· Construction work in Progress

Linking:

The use of project segment and Fund Capital will pick up the CWIP

· Advance payments and Retention

Cash flow effect only when payment becomes due.

Accrual no cash flow >> Cash flow only when payment is made

• Additions to the Trade and other payables (Chart version 6.5)

Inventory and Contracted Services was created as new posting levels to populate the SA30

· Income Tax and VAT

These items are now linked to the Cash flow.

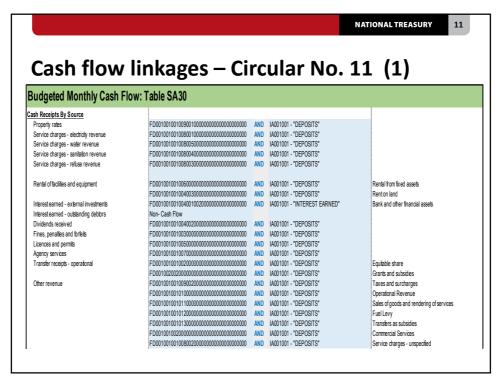
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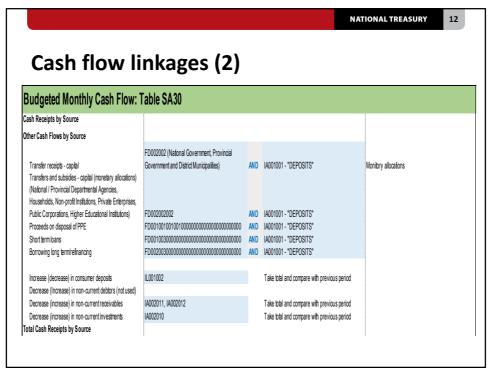
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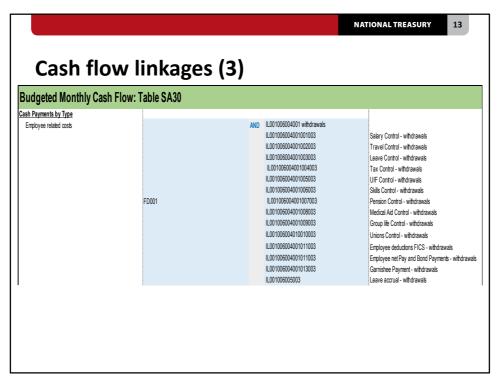
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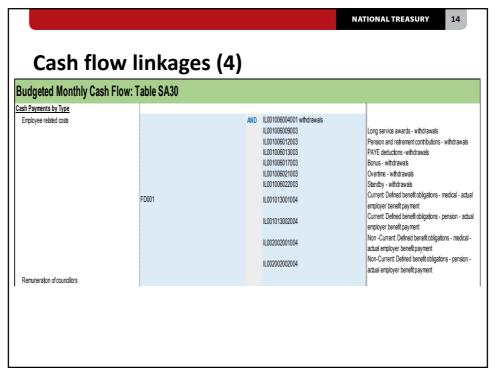
Movement Accounting and Fund

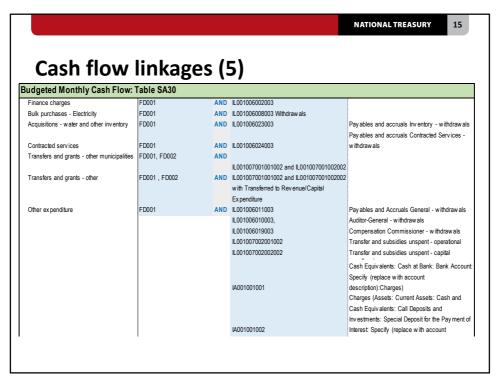
- Introduction of movement accounting in mSCOA chart version 6.2 created additional capability to the design principles of the Fund segment
- Cash flow is derived from <u>Item Segment in combination with the Fund segment.</u>
- Movement accounting and balance sheet budgeting requires that all transactions start with budgeting on the mSCOA segments at the lowest levels.
- Fund segment <u>must be</u> populated with an <u>operational fund</u> or <u>capital fund</u> to ensure the cash flow is populated on all transactions > FD001 & FD002.
- The intent of the Funding segment is to assist municipalities in the management of available funds to be used in running of the municipalities (working capital), capital expansion, maintenance programmes and operational projects intended for the benefit of the community

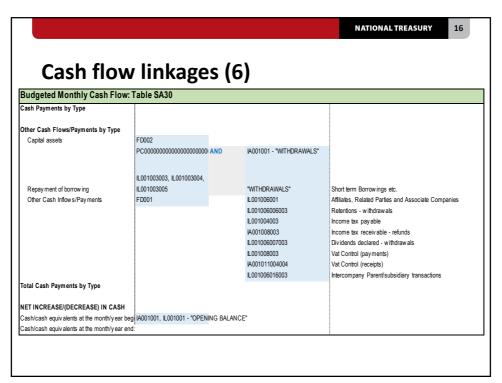












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Cash Flow - Way Forward

Municipalities must:

- Ensure that the data strings are correctly mapped to the A,B and C schedules.
- Correct funding sources to be allocated (FD003 Non-Funding Transactions would not populate the receipts and payments of the cash flow schedules
- Ensure Cash flow closing balances MUST agree to the cash and cash equivalents in the statement of financial position.
- Scrutinize the section 71 schedules prior to uploading into the GoMuni Portal.

PT's must:

- Scrutinise the funding source allocation in the data strings in the Fund segment
- Inspect the SC30 and C7 schedules to ensure that they are correctly populated from the data strings
- Ensure that the closing balances in the SC30 and C7 agree to the cash and cash equivalents in the statement of financial position.

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