

# Cash Flow & Funding

## *m*SCOA Circular 10 & 11

24 March 2023 – Takalani Nekhofhe



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Overview of the session

- Problem statement
- What is Cash flow statement (A7) and how is it prepared?
  - Data strings used to populate the Cash Flow
  - Fund segment
  - Balance sheet budgeting
  - Movement accounts
- Practical example (List detailed sheet linkage)
  - Financial performance
  - Financial position
  - Cash flow statement

# Problem statement – Cash flow

- Municipalities were not using the *mSCOA* segments correctly to populate their cash flow information;
- A number of municipalities did not use the movement accounts correctly in the *mSCOA* chart which distorts the figures reported in the cash flow tables;
- Some municipalities do not budget, transact or report directly in or from their financial systems; and
- Balance sheet budgeting and Movement Accounting must be used in compiling the budget data strings
- Transacting and reporting will follow these data strings - with some challenges
- Cash flow linking was previously done in item Revenue and Expenditure
- *Now is done from the balance sheet accounts via item and funding segments*
  - *Accrual accounting*

# Data strings used populate the Cash Flow

- The Cash flow for budgeting purposes is done on the SA30 that feeds the A7 in the regulated budget schedules seamlessly
- The Cash flow for transacting and reporting in the monthly actuals – SC30 and C7 seamlessly (Cash receipts)
- This cash flow is not the same as the direct or indirect method of Cashflow in Annual Financial Statements
- The AFS Cash flow is high-level while budget schedules are more detailed
- This cashflow is based on the data strings that makes up the
  - Cash receipts by Source
  - Cash payments by Type
  - Other Cash Flows
    - Capital Assets
    - Repayment of borrowing
    - Other Cash inflows / payments
  - Net Increase / Decrease in cash held

# Data strings – Cash receipts

## Cash receipts by Source – Item Bank Deposits and Fund

- Assets(IA)	2	
- Current Assets(IA-001)	12	
- Cash and Cash Equivalents(IA-001-001)	3	- Service Charges(FD-001-001-001-008)
- Cash at Bank(IA-001-001-001)	3	Electricity(FD-001-001-001-008-001)
- Bank Account(IA-001-001-001-001)	127	Unspecified(FD-001-001-001-008-002)
- Specify (replace with account description)(IA-001-001-001-001-001)	6	Waste(FD-001-001-001-008-003)
Opening Balance(IA-001-001-001-001-001-001)		Waste Water(FD-001-001-001-008-004)
Deposits(IA-001-001-001-001-001-002)		Water(FD-001-001-001-008-005)
Withdrawals(IA-001-001-001-001-001-003)		
Interest Earned(IA-001-001-001-001-001-004)		
Charges(IA-001-001-001-001-001-005)		
Retired Closing Balance(IA-001-001-001-001-001-006)		

# Data strings – Cash payments

## Cash payments by Type – Item Liabilities linked to Fund

- Trade and Other Payable Exchange Transactions(IL-001-006-001)

+ Affiliates, Related Parties and Associated Companies(IL-001-006-002)

+ Accrued Interest(IL-001-006-002)

+ Advance Payments(IL-001-006-003)

+ Control, Clearing and Interface Accounts(IL-001-006-004)

+ Leave Accrual(IL-001-006-005)

+ Retentions(IL-001-006-006)

+ Dividends Declared not Paid(IL-001-006-007)

+ Electricity Bulk Purchase(IL-001-006-008)

+ Long Service Award(IL-001-006-009)

+ Auditor-General of South Africa(IL-001-006-010)

+ Payables and Accruals(IL-001-006-011)

+ Pension and Retirement Contributions(IL-001-006-012)

+ PAYE Deductions(IL-001-006-013)

- Payables and Accruals : General(IL-001-006-011)

Opening Balance(IL-001-006-011-001)

Deposits(IL-001-006-011-002)

Withdrawals(IL-001-006-011-003)

Prior period corrections(IL-001-006-011-004)

- Fund(FD)

+ Operational(FD-001)

# Data strings – Capital Assets

## Other Cash Flows

- Capital Assets – PC + IA +FD002

- Capital(PC)

- Infrastructure(PC-001)

+ Existing(PC-001-001)

- New(PC-001-002)

+ Electrical Infrastructure(PC-001-002-001)

- Bank Account(IA-001-001-001-001)

- Specify (replace with account description)(IA-001-001-001-001-001)

Opening Balance(IA-001-001-001-001-001-001)

Deposits(IA-001-001-001-001-001-002)

Withdrawals(IA-001-001-001-001-001-003)

- Fund(FD)

+ Operational(FD-001)

+ Capital(FD-002)

# Data strings – Repayment of borrowings

## Repayment of borrowing - IL001003003,4 and 5 Withdrawals and Fund

- Borrowings(IL-002-003-005)	+ Short-term Borrowings(IL-001-003-003)
- Annuity and Bullet Loans(IL-002-003-005-001)	- Current portion of Non-current Borrowings(IL-001-003-004)
+ General Public(IL-002-003-005-001-001)	- Annuity and Bullet Loans(IL-001-003-004-001)
+ Banks(IL-002-003-005-001-002)	+ General Public(IL-001-003-004-001-001)
- Development Bank of South Africa(IL-002-003-005-001-003)	+ Banks(IL-001-003-004-001-002)
- Specify(IL-002-003-005-001-003-001)	- Development Bank of South Africa(IL-001-003-004-001-003)
Opening Balance(IL-002-003-005-001-003-001-001)	- Specify (Financial Institution and Account Number)(IL-001-003-004-001-003-001-001)
Advances(IL-002-003-005-001-003-001-002)	Opening Balance(IL-001-003-004-001-003-001-001)
Repayments(IL-002-003-005-001-003-001-003)	Deposits(IL-001-003-004-001-003-001-002)
Interest(IL-002-003-005-001-003-001-004)	Withdrawals(IL-001-003-004-001-003-001-003)
Other Changes(IL-002-003-005-001-003-001-005)	- Fund(FD)
Transferred to Current Liabilities(IL-002-003-005-001-003-001-006)	+ Operational(FD-001)
	+ Capital(FD-002)



# Funding Segment and Movement Accounting



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# Movement Accounting and Fund

- Introduction of movement accounting in *m*SCOA chart version 6.2 created additional capability to the design principles of the Fund segment
- Cash flow is derived from Item Segment in combination with the Fund segment.
- Movement accounting and balance sheet budgeting requires that all transactions start with budgeting on the *m*SCOA segments at the lowest levels. Practical examples on the following slides
- Fund segment must be populated with a operational fund or capital fund to ensure the cash flow is populated on all transactions. FD001 & FD002.
- The intent with the Funding segment is to assist municipalities in the management of available funds to use in running the municipality (working capital), capital expanding, maintenance programmes and operational projects intended for the benefit of the community
- Non-cash transactions must not be confused with Non-Funding

# Practical example (List detailed sheet linkage)



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# Billing Budget for Electricity

1. The municipality budget to bill Electricity to Ward 2 based on the projections by the financial system and historical data for the ward: R1,556,069

Segment	Debit	Credit
<b>Project</b>	Default	Default
<b>Function</b>	Function: Energy Sources: Core Function: Electricity	Function: Energy Sources: Core Function: Electricity
<b>Item</b>	<b>Assets:Current Assets:</b> Trade and other Receivables from Exchange Transactions:Trading Service and Customer Service Debtors:Electricity: <b>Monthly Billing</b>	<b>Revenue:</b> Exchange Revenue:Service Charges:Electricity: <b>Electricity</b> <b>Sales:Domestic High:Conventional</b>
<b>Funding</b>	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
<b>Region</b>	Ward 2	Ward 2
<b>Costing</b>	Default	Default
<b>Amount</b>	R1,556,069	R1,556,069
<b>Schedules</b>	A6	A4

# Payment rate of 92% for budgeting

2. Historically this ward has a 92% payment rate

Segment	Debit	Credit
Project	Default	Default
Function	Function: Energy Sources: Core Function: Electricity	Function: Energy Sources: Core Function: Electricity
Item	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Primary Bank account: <b>Deposits</b>	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: <b>Collections</b>
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Ward 2	Ward 2
Costing	Default	Default
Amount	R1,649,793	R1,649,793
Schedules	A7 & A6	A6

# Practical example – GoMuni

**GoMuni**

**LOCAL GOVERNMENT DATABASE**

- NT Internal Forms
- Grant Monitoring
- MSCOA**
  - Administration
  - Input Processing
  - Reporting**
    - Standard Chart of Accounts - Quick Search
    - WIP Standard Chart of Accounts - Quick Search
    - Explore mSCOA Hierarchy
    - List MSCOA account linkages to A1 schedule
    - List MSCOA WIP account linkages to A1 schedule
    - List A1 Schedule Detail Sheet Linkages per Muni**
    - List MSCOA Detail Data per Muni

# Practical example – A4 Financial Performance

			ORGB	ADJB	M01	M02	M03	M04	M05	M06
LONG_CODES_CDE_DSC	Item Long Code	Item Description								
Exchange Revenue / Service charges - Electricity	IR002006001002002002000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Connection/Reconnect	1,377	1,377						
Exchange Revenue / Service charges - Electricity	IR002006001002003000000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Connection/Reconnect	13,211	13,211	698	1,497	1,097	713	732	
Exchange Revenue / Service charges - Electricity	IR002006001004000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Meter Compliance Test	4	4						
Exchange Revenue / Service charges - Electricity	IR002006001005000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Meter Reading Fees	4	4						
Exchange Revenue / Service charges - Electricity	IR002006001006000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Notice Revenues	949	949	715	879	277	257	210	
Exchange Revenue / Service charges - Electricity	IR002006001008004001000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Electricity Sales:Domes	278	278						
Exchange Revenue / Service charges - Electricity	IR002006001008004002000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Electricity Sales:Domes	-13,801	-13,801	789	790	697	694	753	
Exchange Revenue / Service charges - Electricity	IR002006001008005001000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Electricity Sales:Domes	440,115	440,115	41,258	53,213	30,126	35,043	42,938	
Exchange Revenue / Service charges - Electricity	IR002006001008005002000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Electricity Sales:Domes	1,112,210	1,112,210	58,675	59,254	64,599	50,405	56,235	
Exchange Revenue / Service charges - Electricity	IR002006001009002000000000000000000000	Revenue:Exchange Revenue:Service Charges:Electricity:Electricity Distribution F	1,722	1,722						
<b>DDE 0300</b>			<b>1,556,069</b>	<b>1,556,069</b>	<b>102,134</b>	<b>115,633</b>	<b>96,797</b>	<b>87,113</b>	<b>100,868</b>	<b>1</b>
Exchange Revenue / Service charges - Water	IR002006004001000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Water:Connection/Disconnection	17,374	17,374	168	266	238	210	196	
Exchange Revenue / Service charges - Water	IR002006004002000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Water:Meter Reading Fees	1,968	1,968						
Exchange Revenue / Service charges - Water	IR002006004003001000000000000000000000	Revenue:Exchange Revenue:Service Charges:Water:Sale:Conventional	276,250	276,250	15,711	16,937	19,433	18,008	20,071	
Exchange Revenue / Service charges - Water	IR002006004003002000000000000000000000	Revenue:Exchange Revenue:Service Charges:Water:Sale:Prepaid	26,251	26,251	119	124	108	78	124	
Exchange Revenue / Service charges - Water	IR002006004005000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Water:Urban Higher Level Servi	-21,983	-21,983	1,413	1,453	1,374	1,403	1,403	
<b>DDE 0400</b>			<b>299,860</b>	<b>299,860</b>	<b>17,412</b>	<b>18,780</b>	<b>21,153</b>	<b>19,699</b>	<b>21,794</b>	
Exchange Revenue / Service charges - Waste Water	IR002006003001000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Waste Water Management:Indusl	34,394	34,394		5	1		2	
Exchange Revenue / Service charges - Waste Water	IR002006003002000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Waste Water Management:Treati	137	137	1,267	1,380	1,014	1,294	1,011	
Exchange Revenue / Service charges - Waste Water	IR002006003003000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Waste Water Management:Sanit	97,530	97,530	206,971	-185,805	11,289	11,321	11,322	
Exchange Revenue / Service charges - Waste Water	IR002006003006000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Waste Water Management:Indusl	473	473	22	28	26	26	43	
Exchange Revenue / Service charges - Waste Water	IR002006003008000000000000000000000000	Revenue:Exchange Revenue:Service Charges:Waste Water Management:Conn	2,563	2,563		2	2	4	1	
FinPerf SC	FinPerf RE	Capex	FinPos	CFlow	Asset	SA30	New Assets	Renewal	RepMn ...	

# Practical example – A6 Financial Position

ACCODE	LONG CODES CDE DSC	Item Long Code	Item Description	ORGB	ADJB	M
0130	Current assets / Trade and other receivables	IA0010100030010010000000000000000000	Assets:Current Assets:Trade and other Receivables from Exchange Transactions:Trading Service and Customer Service Debtors:Electricity:Opening Balance	244,434	244,434	
0130	Current assets / Trade and other receivables	IA0010100030010020000000000000000000	Assets:Current Assets:Trade and other Receivables from Exchange Transactions:Trading Service and Customer Service Debtors:Electricity:Monthly Billing	1,556,069	1,556,069	
0130	Current assets / Trade and other receivables	IA0010100030010030000000000000000000	Assets:Current Assets:Trade and other Receivables from Exchange Transactions:Trading Service and Customer Service Debtors:Electricity:Interest Charge			
0130	Current assets / Trade and other receivables	IA0010100030010040000000000000000000	Assets:Current Assets:Trade and other Receivables from Exchange Transactions:Trading Service and Customer Service Debtors:Electricity:Prior Period Corrections and Recognised			
0130	Current assets / Trade and other receivables	IA0010100030010050000000000000000000	Assets:Current Assets:Trade and other Receivables from Exchange Transactions:Trading Service and Customer Service Debtors:Electricity:Collections	-1,649,793	-1,649,793	



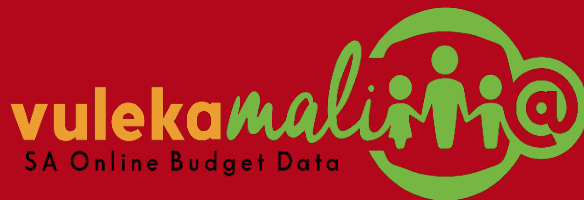
# Practical example – SA30 Cash Flow Position

## RECEIPTS

Increase (decrease) in consumer deposits: under payments and receipts

SA30RCODE	LONG_CODES_CDE_DSC	Funding Long Code	Funding Description	Item Long Code	Item Level Description	ORGB	ADJB	M
0110	Cash Receipts By Source / Property rates	FD0010010010090010020	Fund:Operational:Revenue:General Revenue:Taxes:Property Rates:Levies	IA0010010010010010020	Deposits	535,477	535,477	
0110	Cash Receipts By Source / Property rates	FD0010010010090010020	Fund:Operational:Revenue:General Revenue:Taxes:Property Rates:Levies	IA0010010010011150020	Deposits			
<b>*TOTAL SA30RCODE 0110</b>						<b>535,477</b>	<b>535,477</b>	
0120	Cash Receipts By Source / Service charges - electricity revenue	FD0010010010080010000	Fund:Operational:Revenue:General Revenue:Service Charges:Electricity	IA0010010010010010020	Deposits	1,649,793	1,649,793	
0120	Cash Receipts By Source / Service charges - electricity revenue	FD0010010010080010000	Fund:Operational:Revenue:General Revenue:Service Charges:Electricity	IA0010010010011150020	Deposits			
<b>*TOTAL SA30RCODE 0120</b>						<b>1,649,793</b>	<b>1,649,793</b>	

# THANK YOU



For additional information on national and provincial budgets, please visit our new budget data portal: <https://vulekamali.gov.za>

[www.municipalmoney.gov.za](https://municipalmoney.gov.za)  
open **local government budget** data portal

Explore easy-to-understand, verified financial information for **every single municipality** in South Africa in one place.



For information on local government finances, please visit: <https://municipalmoney.gov.za>



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