

Accounts Division

Internal Memo.

To: Chief Executive Officer
From: ACEO Accounts
Date: 31st October 2017
Re: Cash Management Manual

Your approval is respectfully sought for the Cash Management Manual (attached) to be used for our operations.

Introduction

The Cash Management Manual is an Operating Manual that documents the process for the operation and reconciliation of Government bank accounts.

In preparing this manual reference is made to the Public Finance Management Act 2001 and Treasury Instructions, as quoted throughout this manual.

Focus

The manual's primary focus is on the following;

1. Cash management
2. Cash flow forecasting
3. Responsibilities of the Ministry of Finance and the Line Ministries
4. Procedures on obtaining, reporting and dissemination of information
5. Maintenance of the Bank Register to ensure all GOS bank accounts are accounted for


Review

The Cash Management (CM) Manual was lastly reviewed by the IMF Technical Assistant, Mark Silins in 2015. Given the Treasury Cash Management Committee (TCMC) has recently been re-activated; the CM Manual was again revised and is now considered complete for operations. It will be reviewed accordingly from time to time to suit our purposes.

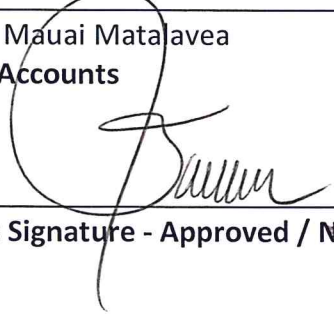
Recommendation

Your endorsement and approval for the Manual to be operationalize.

Ma le fa'aloalo tele.



Rosita Maui Mataavea
ACEO Accounts



(CEO's Signature - Approved / ~~Not Approved~~)



(Date)



Government of Samoa

Ministry of Finance Accounts and Financial Reporting Division

Operating Manual

Cash Management

Last Printed:	31 October 2017
Last Updated:	August 2017
Next Review Date:	August 2018
Manual Owner:	Manager, Cash Management Section

Explanatory Note

The Commencement Date of this Manual is the _____

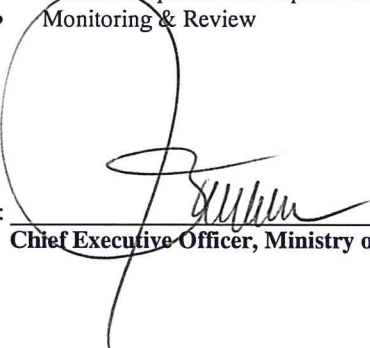
This manual has been prepared to provide assistance in regard to the process for the operation and reconciliation of Government bank accounts

In preparing this manual reference is made to the Public Finance Management Act 2001 and Treasury instructions, as quoted throughout this manual

This Operating Manual should be read after reading the following manuals:

- Finance ONE – General Overview
- General Enquiries and Reports Training Manual, and
- Monitoring & Review

Signed by:


Chief Executive Officer, Ministry of Finance

Dated:

1/11/2017

Accounting Manual

19	CASH MANAGEMENT	19-4
19.1	CASH MANAGEMENT	19-4
19.1.1	<i>Definitions and Objectives.....</i>	<i>19-4</i>
19.1.2	<i>Forecasting and Systems</i>	<i>19-4</i>
19.2	CASH FLOW FORECASTING	19-5
19.2.1	<i>What is Cash Flow Forecasting</i>	<i>19-5</i>
19.2.2	<i>Why do we Cash Flow Forecast?</i>	<i>19-5</i>
19.2.3	<i>What is the purpose of a Cash Flow Forecast?</i>	<i>19-5</i>
19.2.4	<i>What is the Objective of Cash Flow Forecasting?</i>	<i>19-6</i>
19.2.4.1	Ministries Responsibilities	19-6
19.2.4.2	Treasury's Responsibilities	19-8
19.2.5	<i>Procedure</i>	<i>19-8</i>
19.2.5.1	Cash Flow Projections – Ministries / Departments.....	19-8
19.2.5.2	Weekly Cash Flow Reports	19-10
19.2.5.3	Daily Cash Position	19-11
19.3	MAINTAINING BANK ACCOUNTS	19-12
19.3.1	<i>Establishment of Bank Accounts.....</i>	<i>19-13</i>
19.3.1.1	Procedure	19-13
19.3.2	<i>Closing of Bank Accounts.....</i>	<i>19-14</i>
19.3.2.1	Procedure for closing a Bank Account.....	19-15
19.3.3	<i>Change of Bank Details.....</i>	<i>19-16</i>
19.3.4	<i>Bank Register.....</i>	<i>19-17</i>
19.3.5	<i>Annual Review and Update</i>	<i>19-17</i>

19 CASH MANAGEMENT

19.1 Cash Management

Government cash management is important: poor practices and structures waste money add to risk and complicate other financial policies. It is instead about ensuring that the government has the liquidity to execute its payments, but doing so in ways that also minimise costs, reduce risks and support other financial policies.

19.1.1 Definitions and Objectives

Cash management is distinct from budget management or budget execution. Budget execution is about ensuring that the budget is managed consistently within agreed financial limits. This covers everything from direct control over cash releases linked to resource availability, to ensuring that releases are in line with spending commitments, through to full delegation of budget management to line ministries.

By contrast, cash management is about ensuring that the government has the liquidity to execute its payments. This requires planning ahead. Cutting planned expenditure because of a lack of cash is cash rationing, not cash management. Effective cash management removes the need for cash rationing. The overriding objective of cash management is to ensure that the government is able to fund its expenditures in a timely manner and meet its obligations as they fall due. However, cost-effectiveness, risk reduction and efficiency are also important.

19.1.2 Forecasting and Systems

Efficient cash management requires the ability to forecast daily cash flows across the Government (ideally at least three months ahead). This must be coupled with an ability to monitor actual changes in close to real time. As such forecasting and monitoring is important:

- To facilitate the achievement of budget policy targets in an orderly way, and to ensure that budgeted expenditure is smoothly financed, avoiding disruptive payment delays;
- To devise strategies for smoothing the cash flow profile, minimising idle cash balances and reducing borrowing costs; and,
- To contribute to the smooth implementation of monetary policy.

Forecasting systems use a variety of techniques, tending to draw on both bottom-up information – the detailed information available to line ministries and tax departments – and top-down analysis – the centre’s experience of how total spending and revenue varies over time. It is important to emphasise the use made of the relevant spending or revenue departments’ own knowledge; they are closer to the transactions than the Treasury, and they monitor actual cash flows. This requires good information networks, both personal and systems-based. Where relevant this can be backed-up by information from other Departments / Ministries or Central Bank.

The combination of cash flow forecasting and modern payments systems allows for separation between the permission to spend and the provision of cash. It is no longer necessary to receive funds before expenditure is authorised. It is the availability of

cash in the Government's bank accounts at the time that the payments are cleared that is important. Therefore, it is flows through the Government's bank accounts that are the focus of the forecast.

19.2 Cash Flow Forecasting

19.2.1 What is Cash Flow Forecasting

A cash flow forecast is a detailed projection of the timing and amounts of cash inflows and outflows for a specified time period. A cash flow forecast records receipts and disbursements when the money is received or paid. Cash flow forecasting offers the following benefits:

- A schedule of anticipated cash receipts and a method of verifying whether that schedule is achieved.
- A tool to highlight unexpected changes in circumstance (reduced receipts or unexpected disbursements).
- An estimate of the money needed to pay government's commitments on time.

19.2.2 Why do we Cash Flow Forecast?

Cash flow forecasting is important for government on two fronts:

- 1) to help ensure adequate liquidity levels are available to meet liabilities "just in time" and
- 2) To maximize the return on any cash surpluses and minimise the cost of any borrowing.

Without a picture of its expected cash flow position, a government may fall into the trap of blind spending. Blind spending, refers to the practice of spending without regard for the drain on cash flow. Blind spending often leads to cash shortfalls and increased costs, either from having to borrow money to pay bills or from foregone interest earnings.

Accumulating payment arrears in one month because of overspending in the previous month can happen because there has been no monitoring and control over cash flows. But even the most accurate cash flow forecast is worthless if the departments / Ministries are not willing to adhere to established parameters on the timing of expenditures.

19.2.3 What is the purpose of a Cash Flow Forecast?

The purpose of a cash flow forecast is to predict cash inflows and cash outflows during a certain time period (daily weekly, monthly and for the full year). This helps predict whether the Government will have adequate cash on hand to address its needs, and to take early action to address any shortfalls, both in the short and medium term. It also helps government maximise returns on available cash by investing any idle balances and linking short term borrowing directly to periods where cash balances will be under pressure. With a proper cash flow forecast, accompanied by well formulated indicators, the government is better placed to monitor its budget execution process and take early action to correct any short-term liquidity issues or medium term structural issues.

19.2.4 What is the Objective of Cash Flow Forecasting?

The objective of cash management is to optimize the Government's cash position by ensuring that cash balances are sufficient to meet its obligations without forgoing investment income or undertaking unnecessary borrowing. Cash management is the process whereby the cash inflows and outflows are controlled so that current obligations will be met on time and at the lowest cost/highest return to government. At some points in the year, the Government may have excess cash that is not immediately required, while at other points in the year, the cash inflow may be insufficient. By exercising proper cash management, the Government can potentially increase its interest revenue and reduce its borrowing costs.

In the GoA there are two key focuses for the cashflow forecasting models. Firstly, a short term focus on liquidity by forecasting whether government has adequate cash on hand to service its short term spending needs. This is addressed through a daily cashflow forecasting model which extends out to a four week time horizon. At the end of each week the model rolls forward to include a further week and continue the four-week focus. Secondly, a medium term focus to monitor the underlying cash balance of the budget, to try and ensure the budget cash surplus/ deficit target remains on track. This is addressed through a monthly cashflow forecasting model which extends across the entire financial year.

19.2.4.1 Roles and Responsibilities

Roles and Responsibilities of Key Parties

Overall responsibility for cashflow management and forecasting is vested in a high level Cash Management Steering Committee. The CMSC is also supported by a Cash Management Operations Committee (CMOC) which reports to the CMSC and has responsibility for implementing and monitoring the policies and decisions of the CMSC.

The CMSC is chaired by the CEO Ministry of Finance and involves key members of the MoF, the Central Bank of Samoa and the Ministry of Revenue. The Assistant Chief Executive Officer, Accounts (ACEO Accounts) provides the secretariat function to the CMSC, supported by the Cash Management Unit.

The CMSC meets at least quarterly and has the following key responsibilities:

- Provide strategic direction to the CMOC and stakeholder output managers regarding the overall policy framework supporting cash management and forecasting in GoS;
- Ensure a proper consideration of the fiscal and monetary policy implications of all cash management decisions by the government;
- Brief the Minister, and as required other government members, regarding the GoS evolving cash management position, including submission of formal recommendations to the Minister and government as required;

- Oversee all negotiated arrangements for investment and borrowing by GoS ensuring the best overall returns are obtained at the least cost and with consideration of an appropriate level of risk;
- Take remedial action through the initiation of sanctions against officials or ministries whose actions, or lack of action, undermine the effectiveness of cash management and forecasting in GoS;
- Monitor the CMOC to ensure it fulfils its forecasting and reporting obligations in a timely manner;
- Allocate additional resources to deal with ad hoc issues or major reform initiatives that impact the cash management and forecasting function, including securing external technical assistance from Development Partners as required; and
- Meet at least quarterly, or more frequently should circumstances warrant it, for example during an emergency situation or towards the end of financial year.

The CMOC is chaired by the ACEO Accounts, and includes members from the Budget, Aid Coordination and Debt Management (ACDM), Corporate (CSSD, Public Finance Management (PFM) Divisions. The secretariat function to the CMOC is provided by the CMU. The CMU meets at least monthly. In addition, the ACEO Accounts, Ministry of Revenue representative, and the CMU meet weekly to specifically review the revenue forecasts.

The CMOC has the following core responsibilities:

- Implement all directives from the CMSC and provide formal feedback regarding the results of the implementation;
- Undertake analysis and research regarding specific challenges for cash management, and make recommendations to the CMSC as required;
- Review all weekly and monthly reports from the Cash Management Unit and provide guidance and feedback as required;
- As part of the CMOC, coordinate responses regarding cashflow anomalies from the organization or output represented by the member;
- Intervene as required, on behalf of the cash management unit, to ensure compliance with requested information and deadlines by stakeholders;
- Sequester additional short-term resources to address specific operations issues as required; and
- Convene workshop and education events for stakeholders to optimize understanding regarding the importance and challenges in relation to high quality cashflow management and forecasting.

Ministries/ Departments are responsible for ensuring that:

- Budgeted cash flow projections are provided to Treasury at the commencement of each year in accordance with Treasury's timeframe and updated throughout the year quarterly, or upon the request of Treasury
- Monitor and follow up to ensure debtors are collected within the timeframe outlined in *Paragraph C.12 (6) of the Treasury Instructions*.
- Monitor revenue receipts and payments against the budget forecast, and provide update on forecasts as and when required to reflect any major changes in cash flow projections

19.2.4.2 Account's Responsibilities

- Monitor GOS cash flows on a daily basis to ensure GOS operates within its cash position and exposure to overdraft interest is kept to a minimum
- Liaising with Ministries / Departments to ensure timely & accurate cash flow forecasts are produced
- Providing daily, weekly and monthly cash flow forecasts to the MOF management
- Providing cash flow forecasts projections to the cash management committee as and when required and their meetings

19.2.4.2 Ministry of Revenue

- Assist the CMU to fine-tune its revenue forecasting methodology in each of its cashflow forecasting models;
- Meet weekly with the CMU to review performance against forecasts and provide input to reasons for significant (greater than 3%) variation of actual revenues to the forecasts;
- Actively participate in the CMSC and CMOC; and
- Provide ad hoc early warning regarding any major anomalies in relation to budgetary or cash forecasts.

19.2.5 Procedure

19.2.5.1 Cash Flow Projections and Integrated Procurement Plan – Ministries / Departments

Annexure 1 provides a template for the entire annual cashflow forecast by months. It includes:

- the template to be submitted by each ministry / department at the beginning of the year, which is also to be used during the year for any updates;

- templates for debt and other payments;
- seasonality tables for forecasting revenues based on past trends; and
- templates for updating the forecast, firstly for updating each month's actual cashflows, and secondly, to extrapolate the end of year cash position based on year to date cashflows to determine whether a structural issue is evolving with the budget and the underlying cash position.

The annex also includes guidance on how to best forecast specific cashflows and how to update each template to produce the final forecast, and how to update the forecast during the year.

Annexure 2 is a template for monthly reporting by the CMOC which is prepared by the CMU. The report is submitted to the CMSC and more broadly as required. This is to be completed by the 5th day of the following month, and submitted along with the updated cashflow forecast.

Manager, Cash Flow Unit (involving relevant support from the Procurement Section of the MoF):

- (1) In July: conduct training for Ministries / Departments on their budget allocation for the forthcoming year working through the committed and discretion expenditure for each Ministry / Department. Template is made available
- (2) In July: send out a letter to all Ministries / Departments requesting for them to provide their cash flow projections for the forthcoming financial year integrated with their procurement plans;
- (3) Cash flow forecast template in excel format is provided in soft copy¹

Ministries / Departments

- (4) In consultation with Heads of Division, reviews their spending commitments for the forthcoming year and compare to the prior year(s) actual expenditure.
- (5) Prepares the cash flow forecast template and providing comments where applicable on forecasts that are unusual, i.e. budget fully utilized in 1 period.
- (6) Checks the total of the cash flow projection agrees to the Ministry's / Departments annual allocated budget
- (7) Emails to the Manager, Cash Flow Unit, cc to the ACEO, Accounts & Reporting by 5 July each financial year.

¹ Email or made available on the Intranet

Manager, Cash Flow Unit

- (8) Checks the data received to ensure the cash flow projection totals agree to the Ministry's / Departments annual allocated budget
- (9) Reviews for unusual items or irregular allocation of budget with no explanation.
- (10) Refers any queries back to the relevant Ministry / Department
- (11) Collates the data received from each Ministry / Department in the worksheet attached to the cash flow projection report.
- (12) Checks the summarized GOS cash flow projection spreadsheet to ensure the projections agree to the Government's total budget.
- (13) Check the surplus / (Deficit) for each period² and investigate the period to ensure fund allocation is realistic.
- (14) Where necessary reallocate discretionary costs after discussions with Ministries / Departments
- (15) Distribute the cash flow projection report to MOF management and cash management committee
- (16) In the absence of a cashflow projection being received by the due date, liaise with the Budget Division to withhold budget releases for all non-salary/statutory (discretionary) spending of the ministry / department;
- (17) Determine the default cashflow for any ministry / department in the absence of the required submission by the due date

19.2.5.2 Daily Cashflow Report by Week and Month

The cash flow projection template is set up in excel and reported on a "month to date" basis. **Annexure B** provides an example of a cash flow forecast report

- (1) Produce an EIE report from Finance ONE, selection criteria:
 - (a) period you want to report on
 - (b) code range: i.e. revenue = account category 6,

Refer to the ***General Reports & Enquiries Manual*** on how to build and produce and enquiry.

- (2) Update the supporting worksheet to the cash flow report with the financial data
- (3) contact Departments / Ministries where further explanation is required in regard to unusual fluctuations in actual revenue / expenditure against budget

² month

- (4) note variances against budget to include as notes to the cash flow
- (5) Distribute to Management and the CMOC on Monday by 2pm, accompanied with a brief trend report. A template for the trend report can also be found at Annexure B.

19.2.5.3 Daily Cash Position

The daily cash position reports on the Government General Funds. The main accounts held at the ANZ Bank are set up in an “offset” arrangement. This means that whilst the Government General Disbursement account has a \$12 million overdraft facility, whilst there are funds held in the other ANZ Bank accounts up to the overdraft of the General Disbursement Accounts, no overdraft interest will be charged.

Annexure B template should be used to update the daily cash position and in turn compare the weekly forecast to actual cashflows during the week.

- (1) Produce an EIE report from Finance ONE, selection criteria:
 - (a) Select code range: account sub category 1052: Domestic Banks, 1054: Foreign Banks and 1056: cash on hand.
 - (b) Fund 1

Refer to the *General Reports & Enquiries Manual* on how to build and produce an enquiry.

The bank balances obtained from Finance ONE will include unrepresented cheques. It is important to liaise with the Manager Revenue & Overseas to ensure that these reconciling items are reviewed regularly and are current and accurate. This will ensure reporting on accurate cash balances

- (2) Update daily cash position with the bank balance details for the date you are reporting on
- (3) Include any accompanying notes relevant to provide more information on the cash position as reported.

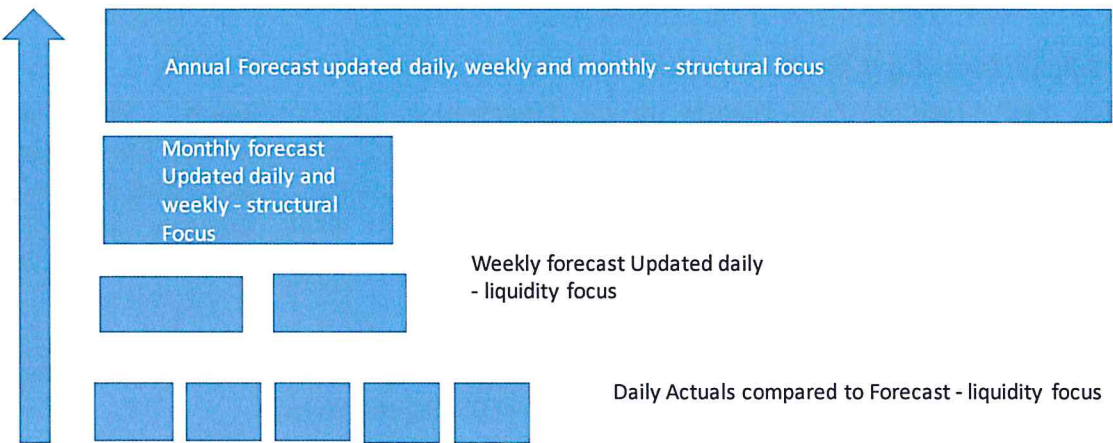
It is also important to meet daily with the Reconciliation Officer to determine whether any major issues or omissions occurred in daily reconciliation. As such it is critical that the bank reconciliation on the main fund accounts takes place early each day, to facilitate early warning regarding any anomalies that the forecast should reflect.

19.2.5.4 Linking Daily, Weekly and Monthly Forecasting

While daily and weekly forecasting are primarily focused on liquidity management and monthly forecasting on the underlying cash surplus/deficit of the budget, daily monitoring of the cash position supports better monitoring of the weekly and monthly

cash forecast. Figure 1 provides guidance on how the different models can be integrated.

Figure 1 – Integrated Cashflow Forecasting System



By linking the respective forecasting spreadsheets, it becomes possible to monitor not just the liquidity position each day, but the annual structural cash balance. Early in the year this monitoring will be less useful, as the small percentage of actual annual cashflows, will not necessarily provide an accurate future forecast. However, by the second week of the month, issues with monthly forecasts should become apparent. Any shortfall within a month may imply a longer term shortfall, and this requires careful and early monitoring to detect whether the trend is likely to continue.

19.3 Maintaining Bank Accounts

The process for opening and closing a bank account is provided for in the *Banking Operations & Reconciliation Manual* and outlines the following:

19.3.1 Establishment of Bank Accounts

In accordance with *Section 44 (4) of the Public Finance Management Act 2001* (“*PFMA*”), no bank account shall be opened or operated or continue to be operated for the deposit and / or withdrawal of public money without the express authority of and on such conditions as the Financial Secretary³ determines. This requirement applies to domestic and overseas bank accounts and investment accounts.

Treasury must record and maintain details of separate bank accounts including the authorised signatories in the Government Bank Account Register

No Department or government officer may set up a separate bank account for public monies or trust monies.

19.3.1.1 Policy

In accordance with *Section 44 (4) of Public Finance Management Act 2001* the Financial Secretary (CEO, Ministry of Finance) directs that the opening of bank accounts may be placed with any financial institution operating in Samoa based on the best “value for money” at the time.

19.3.1.2 Procedure

Head of Department

- (1) Shall submit a written request in the prescribed form (**Annexure C**) to the Financial Secretary⁴ (MOF) giving reasons & purpose for the opening of the bank account and providing the following detail
 - Proposed name of the bank account
 - Purpose of the bank account
 - Proposed bank, branch and the address where the account is to be established
 - Names and positions of the officers that will be responsible for the bank account and moneys held in the account. These officers must approve all disbursements from the bank account
 - Names, positions and signatures of the authorised signatories for cheques and any other disbursement of moneys from the bank account.
 - authorisation limits of signatories
- (2) Every government bank account must have at least three authorised signatories with at least two required to sign cheques and any negotiable instruments.
- (3) submit to the Financial Secretary, MOF for approval and set-up

³ CEO, Ministry of Finance

- (4) The Financial Secretary will assess the requirement and need for the bank account. And if not approved return to the Head of Department advising the reason for the application not being approved. If approved arranges for the bank account to be set up and the Ministry advised accordingly.

*Process within Treasury Department
Manager, Cash Flow Section*

- (5) Sets up the new bank account details on the bank register
- (6) forwards a copy of the application form under covering letter to the bank for setting up the new account,
- (7) once advice received from the bank, update the register with the bank account details etc
- (8) prepare a chart of account maintenance form to set up the new bank account in Finance ONE
- (9) Attach the letter of advice to the application form and forward to the Manager, Reporting Section to action

Manager, Reporting Section

- (10) Arranges for the bank account to be set up in Finance ONE, noting the Finance ONE code on the application form, signs and dates the form. Takes a copy of the application form and bank advice, and files with the chart of accounts maintenance form
- (11) advises the Manager, Revenue & Overseas of the bank account set up providing detail of the office responsible for the bank account, i.e. if Department, then manual reconciliation to be submitted monthly to Treasury, if Treasury, then reconciliation prepared in Finance ONE.
- (12) returns the original application form to the Manager, Cash Flow Section

Manager, Cash Flow Section

- (13) Updates the bank register with the Finance ONE code
- (14) forwards a copy of the application form⁵ and the advice to the Department
- (15) Places the application form on file along with the bank advice.

19.3.2 Closing of Bank Accounts

Closing of a bank account must be carried out in accordance with the procedure outlined in *Section 44 (4) of the Public Finance Management Act 2001 ("PFMA")*:

⁵ the application form will provide the Department with the Finance ONE code for the new bank account

19.3.2.1 Procedure for closing a Bank Account

Head of Department

- (1) When the purpose for which the bank account was opened has been fulfilled, such as completion of the project; ceasing of special or trust funds, the Head of Department concerned shall submit a written request (**Annexure D**) to the Financial Secretary for closure of the bank account along with the following documents:
 - (a) Up-to-date Bank Statement;
 - (b) Bank Reconciliation: showing the balance in the bank account on the proposed date of closure and after all cheques have been presented;
 - (c) Up-to-date Account statement of the project, special or trust fund for which the bank account was opened;
 - (d) Written confirmation that all debts have been paid and nothing is due and that all revenues due have been collected. If not, provide a list of outstanding debts and revenues;
 - (e) Copy of the agreement with the donor, if any, to establish mode of disposal of unspent balance (including the balance in the bank account).

Ministry of Finance / Treasury

- (2) The Financial Secretary shall examine the request for the closure of the bank account with reference to the supporting documents as per paragraph (1) above and take the following action:
 - (a) Seek further clarification or information from the concerned Head of Department and hold back the decision to close the bank account;
 - (b) Decide to close the bank account;
 - (c) Decide whether the unspent balance should be transferred to the Treasury Fund or remitted to the donor (if applicable).

Manager, Cash Flow Section

- (3) If the Financial Secretary agrees to the closure of the bank account, the Treasury (Manager, Cash Flow Section) shall issue written instructions by way of letter to the bank to close the account and transfer the balance to the Treasury Fund or any other account as per direction of the Financial Secretary.
- (4) Update the bank register with the details to finalise closure pending advice from the Revenue & Overseas Section and Reporting Section
- (5) Forward the bank closure form and supporting documents to the Manager, Revenue & Overseas advising of the closure of the bank account and

requesting the final bank reconciliation be prepared in Finance ONE⁶ or the bank details are updated in Finance ONE⁷

Manager, Revenue & Overseas Section

- (6) Shall reconcile and update the bank data in Finance ONE.
- (7) Produce the final bank reconciliation, noting the nil balance of account
- (8) sign off the bank closure form, prepare a chart of accounts maintenance form to request the account to become inactive and forward to the Manager, Reporting section to action

Manager, Reporting Section

- (9) Shall check the forms for completeness and accuracy, if all in order action the request to make the account inactive.
- (10) update and sign off the bank closure form and forward to the Manager, Cash Flow Section

Manager, Cash Flow Section

- (11) Notes the completion of the final bank reconciliation & the account made inactive in the bank register noting the date of closure of the account and flagging the bank account as closed.
- (12) Files the bank closure form on file in date order

19.3.3 Change of Bank Details

As part of ongoing maintenance of bank accounts, Ministries / Departments must advise Treasury immediately of any change to the officers responsible for bank accounts and approved signatories.

Responsible Officer

- (1) The responsible officer prepares the “*Change of Bank Details*” form **Annexure E** obtaining the signatures of the new signatories and advising of the reason for change and must include:
 - bank account name
 - bank account number
 - Details of changes, i.e. previous signatory, new signatory providing a specimen signature for each signatory
 - Effective date of change
- (2) Forwards to the Financial Secretary, MOF, who upon receipt shall forward to the Accounts & Reporting Division for processing

⁶ if reconciliation carried out by Accounts Division

⁷ if the reconciliation is prepared by the Department / Ministry

- (3) Reviews the change of details and checks the bank register against the requested change. If there is a change of signatory as a result of resignation, then a check is made to ensure that their signing authority is removed from *all* bank accounts.
- (4) Updates the bank register with the details, noting effective date of change
- (5) Prepares a letter to the bank/s advising of the change of signatories and effective date of the change and requesting acknowledgement from the bank when the signatories have been updated
- (6) forward notification to bank under covering letter requesting the change to the bank account details requesting acknowledgement from the bank when the requested bank account changes have been updated
- (7) Forwards copy of the confirmation from the bank acknowledging the changes to the requesting Ministry / Department

19.3.4 Bank Register

- In accordance with *Paragraph M.6 of the Treasury Instructions*, details of bank accounts are to be recorded in the bank register which is maintained by Treasury. This register records the following details in regard to all bank accounts established and operated by the government:
 - a) Name, address and branch of the bank where the account is held
 - b) Name of the officer / 2 responsible for operating the bank account
 - c) Names and designation of the authorized signatures (and specimen signatures) stipulating the category of authority
 - d) Type of account and type of funds proposed to be held in the accounts, i.e. donor, trust
 - e) Purpose of the bank account
 - f) Date account to be closed (if known),
 - g) Finance ONE code allocated to the bank account as set up in the general ledger
- Upon the opening and closing of bank accounts and the change of bank account details, i.e. signatories, the bank register is to be updated accordingly.

The responsibility for maintaining the bank register is with the Manager, Cash Flow Section.

19.3.5 Annual Review and Update

Each year, the Manager, Cash Flow Section, Treasury will conduct a review of the bank register and all government bank accounts. The review will cover the following key issues:

- The continuing need for the bank account

- check to ensure all authorised signatories are updated
- Adequacy of the control and administration of the bank account.
- Allocation of Finance ONE code

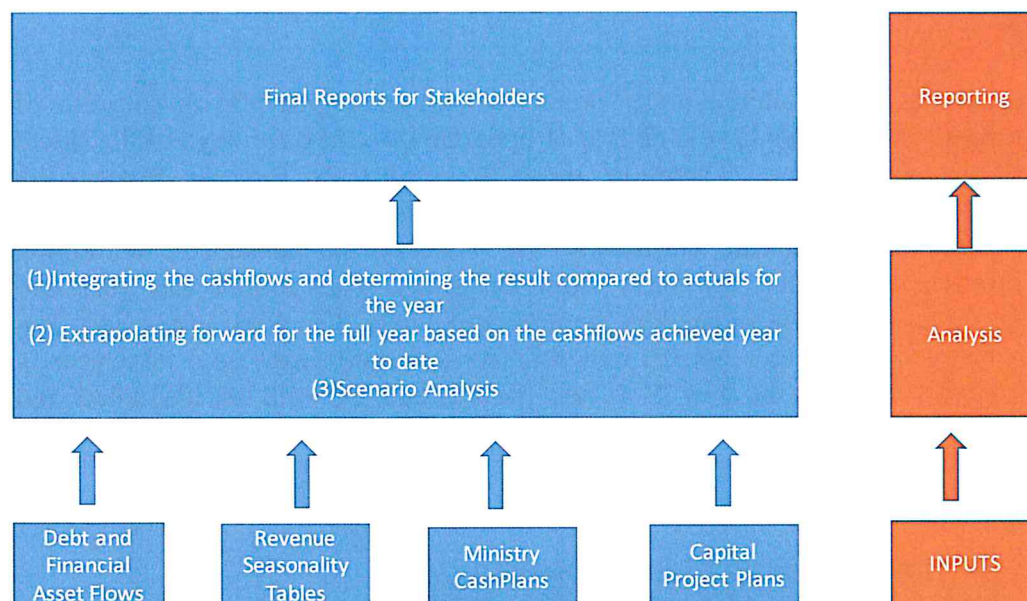
Departments must respond promptly to requests for information and/or reconciliations of bank accounts that they operate on behalf of the Government.

Annexure A – Annual Forecast by Month

Introduction

The annual cashflow forecast by month provides a tool for monitoring overall budget cashflow performance and to provide an early warning mechanism should the underlying cash deficit/surplus be threatened. The focus is therefore on preparing an accurate forecast, and monitoring the performance of that forecast as actual cashflows take place during the year. Figure 2 provides a general structure for how the forecast is built.

Figure 2 – The Annual Cashflow Forecast in Samoa



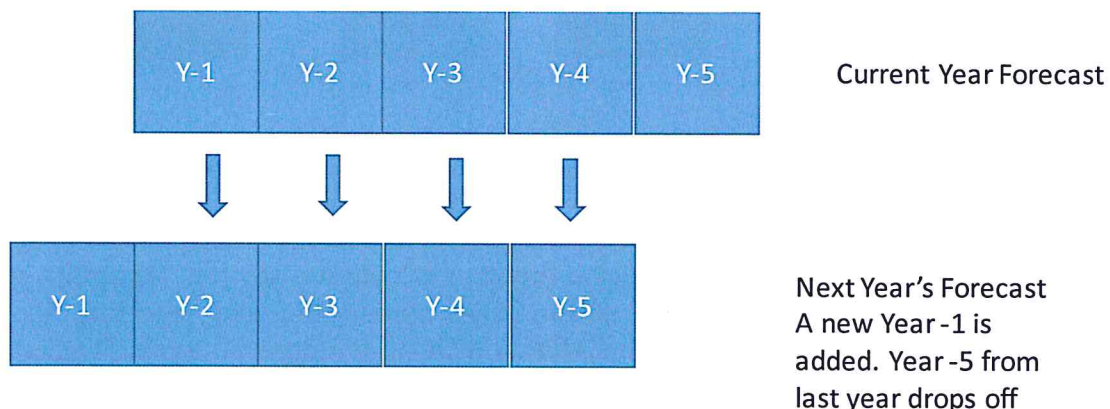
Forecasting is by nature inaccurate, although the goal is to be as accurate as possible with any model. Monitoring the model is critically important. Detecting anomalies early in the budget cycle will provide a greater opportunity to allow adjustments to be made to correct the problems. The later a problem is detected the less flexibility a government has to take corrective action. Thus monitoring and reporting the performance against the forecast to the CMOC/CMSC is as important as the forecast itself. Cashflow forecasting is also something which requires considerable common sense. For example, if the forecasting model is predicting certain revenues but there has been a disaster recently, for example a cyclone, which we know will impact actual revenues, it is important to adjust the forecast accordingly. A model which is executed without consideration of what is really taking place is less than useful. The following section provides details on how to improve the accuracy of each of the elements of the forecast.

The format of the model departs from the current budget format, but can be linked back to this format via a mapping table. The format is based around generally accepted accounting concepts, that is, revenues, expenses, assets and liabilities, which also align with the GFSM2001/14⁸ structure. Both of these can be described as providing an economic focus for the cashflows in the model. This is important as the economic nature of cashflows also provides a strong indication of the timing and frequency of the flows. The budget classification does not always provide a useful mechanism for grouping cashflows according to their nature. As an example, salaries and pension flows occur fortnightly. Thus the flows are highly predictable, and tend to be uniform from one payment cycle to the next. While central government salaries are clearly and separately identified in the budget, a larger number of salary and pension payments are reflected in Statutory Administration Costs and Payments on behalf of the State. These budget items mix recurrent salary and pension payments with other economic items which have different characteristics in terms of the cashflows.

Revenues

This forecast requires a combination of predictive and prescriptive flows. In terms of revenues, most of the flows have a degree of uncertainty – they are beyond the direct control of the government. Therefore, these flows must be forecast. Seasonality tables can be very useful to assist with the forecast as they use historical cashflows to assist in predicting the future cashflows. The attached spreadsheet at workbook (XXX) provides the format for the seasonality tables. Each month and year, the seasonality tables should be updated by the new actual data. The goal is to build a five year set of seasonality tables, which will roll forward each year. As a new year is complete it will become the new Y-1, and the current Y-5 will be discarded and replaced.

Figure 3 – Rolling Seasonality Tables



⁸ GFSM2001/14 refers to the government financial statistics manual 2001/14 issued by the IMF which also provides a strong link back to a government's underlying cash surplus/deficit

Not all revenue flows can be reliably forecast, and thus it is important to ensure that seasonality is used for those flows which occur regularly but where the size of the flows may vary. Taxation and many charges by government are usually best forecast using seasonality tables. However, donor grants are not always predictable and usually occur at one time, although the timing may not be consistent from one year to the next. In such cases it is better to seek confirmation with the relevant government body or the donor as to the likely timing for when the flows will occur, and these flows should be prescribed exactly in the model (not subject to seasonality). Dividends from enterprises and the Central Bank, and interest payments to government for any loans it provides (if any of these exist in the year), are other examples of revenues which are likely to be prescribed as to the timing and value of the flows. In such cases the actual known flows should be included in the relevant months of the model. Table 1 provides some general guidance regarding each type of revenue in Samoa:

Table 1 – Categories of Revenues

Type of Revenue	Guidance
Tax Revenues	Including income tax, customs duties and excises, goods and services value added tax (GSVAT), stamp duty and business licenses. Together they represent nearly 90% of total revenue estimates for any year. Thus on the revenue side accurate forecasting of these revenues should be the main focus in ensuring a good quality forecast result. Seasonality tables should be developed using historical flows over the previous 3-5 years. The flows are converted into a monthly percentage of annual flows to determine the seasonality. The average of the three years is used to forecast this year's revenue or a weighting system can be used to focus the model more on a specific year
Refunds of Revenue	Refunds are also likely to be seasonal in nature. Refunds should be classified as reductions in revenue in the cashflow
User Charging Revenues	These largely represent inter-ministry charges, and as such do not constitute revenues of government (although they are a revenue for the specific ministry) or a cashflow at the central government level. Internal charges should be deducted and excluded from the model. Any residual amounts that are actual revenues should also be allocated according to seasonality.
Special Fund Revenues	These are revenues which ministries are able to retain and are held in the Special Fund. These will generally be recurring revenues, such as charges for fees and services. These are likely to be seasonal. However, if certain revenues are prescribed and certain as to timing and value they should be entered directly in the
General Purpose Grants-Donors	The exact value and timing of the revenue needs to be determined with the relevant government body (Aid Coordination and Debt Management Division) or the donor directly
Dividends	Any dividends from the business enterprises or the central bank should be entered in the model directly based on the known value and month in which the cash will be received
Interest on Loans	Any interest from loans given by government should be entered in the model directly based on the known value and timing of the flows each month

Expenses

These have a number of characteristics. Unlike revenues, seasonality tends to be unreliable in predicting expense flows because government directly controls when the flows occur, and these results in adjustments from one year to the next, based on operational requirements. In general expenses should be determined based on spending plans from ministries. In fact spending plans should be submitted by all bodies responsible for expense outflows including the Ministry of Public Enterprises

(subsidies to enterprises and grants to statutory bodies). Table 2 provides guidance on how to recognise specific expenses in these plans submitted to the Treasury.

Table 2- Expense Related Cashflows

Type of Expense	Guidance	Procurement Plan	
Salaries	GoS pays salary fortnightly, thus there are 26 payments in a year, and these should be allocated in accordance with actual pay dates, two times a month for ten months, with two months including three salary payments. If other significant variations are known, for example across the board increases at one time in the year, or one-off bonus payments, these should also be built into the forecasting model. Significant levels of separation payments through retirement or redundancy may also need to be allocated, based on actual calculations for these payments. All salary payments including those beyond central government should be included here.	No	Expenditures relating to goods and services and assets
Statutory Administration costs	These are salary and allowances for office holders and so should be allocated fortnightly across the year as per other salaries	No	
Pension Payments	These are also paid fortnightly and should be allocated as per salaries	No	
Operating Expenses –	Ministries/departments should submit plans for spending. These items should also be reflected in Procurement Plans. If plans are not submitted then the Treasury can apply the following: G+S will include a significant component for Utility payments which will be monthly. The residual items for goods and services after utilities are deducted can be allocated proportionally across the months, with the last month, June, allocated twice the value of other months (review each year for variations to the profile indicated here)	Yes	
Rent and leases payments	These are generally monthly and evenly distributed (1/12th)	Yes	
Interest Payments	Actual payments should be known and built directly into the model and advised by the Debt Department	No	
Counterpart funding of projects	This is the government's contribution to Development Partner funded projects. It is important to determine the exact timing for these contributions/payments for cash contributions. In-kind contributions are not part of the cashflow forecast	Yes (as part of overall project)	
Subsidies and grants	To Public Bodies and other institutions (periodic payments monthly or quarterly or more frequently). The exact timing of the flows should be built into the model	No	
One off Activities or projects	Such as conducting the census. Spending will cluster around the activity itself, probably over a number of months. These activities must be specifically planned, and an appropriate cashflow determined.	Expenditures relating to goods and services and assets should be in procurement plans	
VAGST payments by government	These are not a cashflow as government withholds the tax from the supplier	No	
Unforeseen payments	Examine historical usage of the funds to determine whether there are some observable patterns. For example, if disbursement does not occur until the second quarter. Is the full value of the fund always disbursed? If not, then a proportion of the contingency fund would not be included in the forecast. Are there historical patterns for disbursement that would guide	Expenditures relating to goods and services and assets to be included (revised plans during the year)	

	the future year's forecasts	
--	-----------------------------	--

Integrated Procurement and Cashflow Plans

Some expenses must also be included in the annual procurement plan. In general, this will only relate to those expenditures for goods and services, and the acquisition of assets, both large capital projects and operational assets such as vehicles, computers and other equipment. To reduce workloads and to make compliance easier, the cash flow and procurement plans have been integrated, although they do serve two different purposes. The procurement plan will be at a more detailed level than the cash plan, but will then feed into the information to be included in the cash plan.

Expenditures on goods and services and assets will not be permitted if they have been included in this integrated plan. Approval of the CEO Finance will be required for acquisitions which are not included in this plan, and will be reported as a breach of the usual procedure (unless unforeseen). The format for the integrated plan is included in the excel file at worksheet "ministry plans".

All contracts including for recurring expenditures such as utilities and supply of food must be committed in Finance One by raising a system based purchase order. For more information on this please refer to the relevant section of the Accounting Operations Manual. This is important as the commitments provide useful additional information for cash management. Any purchase of goods and services which are not covered by a commitment will result in a delay in payment. A penalty will also be applied directly to the offending ministry/departments budget, which will be equivalent to the Central Bank base interest rate, plus 5%. A minimum charge of 500 Talas will apply to all such omissions. Breaches will also be published on the MoF website.

Non-Financial Assets

All assets acquisitions should also be included in the Procurement Plan for the Ministry/Department, unless it relates to unforeseen (emergency) expenditure. This should ensure that the probable timing for payments is well known and can be forecast. It is understood that on occasions capital projects and even the acquisition of operational assets can be delayed, however, the best estimate of the likely month for payment should be made. This should be monitored throughout the year and adjusted regularly in the plans. Ministries/Departments are best placed to estimate these dates – it is not possible for MoF to do so as it is not close enough to the projects to make an informed judgement. This is one area where poor planning and forecasting adversely impacts cash management in government. Ministries/Departments are therefore encouraged to understand how important their role is. Most critical is the ongoing monitoring of the forecast and regular updating, to improve the overall cash management process in the Government of Samoa.

All asset acquisitions must be committed in Finance One by raising a system based purchase order. For more information on this please refer to the relevant section of the Accounting Operations Manual. This is important as the commitments provide useful additional information for cash management. A penalty will also be applied directly to the offending ministry/departments budget, which will be equivalent to the Central

Bank base interest rate, plus 5%. A minimum charge of 500 Talas will apply to all such omissions. Breaches will also be published on the MoF website.

Table 3 – Non-financial Asset Categories

Type	Guidance	Procurement Plan
Large Capital Projects	Capital projects will be covered by a contract which should specify the payment stages and the deliverables. Project managers and ministries/departments will need to estimate the likely timing of cashflows, should this not be specified in the contract. This needs to be closely monitored and plans updated periodically should delays occur	Yes
Central Procurement Division	All acquisitions by the central procurement unit must also be included in the cash and procurement plans. The focus here is on when the procurement takes place and when payment will occur, not on the distribution of the goods to the various ministries/departments. The latter is a control and accounting issue not a cashflow	Yes
Operational Assets	All operation assets which are not subject to central procurement must also be planned, and included in the integrated procurement/cash plan.	Yes
Sale of Non-Financial Assets	The Ministry of Finance is responsible for the sale of obsolete assets must also provide a plan for when the assets will be disposed of, and the likely cashflows from the sales.	No

Debt (Liabilities) and Financial Assets

These cashflows are under the direct control of the MoF. These cashflows can be defined as financing for the budget, often referred to as below-the-line cashflows. This refers to the fact that the cash deficit or surplus is determined by the net position after expenses and capital spending are deducted from revenues. The balance is the cash deficit or surplus. The deficit (or surplus) is financed through the below the line transactions in financial assets (governments ownership of enterprises and shares, other investments and cash holdings) and borrowing, both domestic and foreign. Figure 4 shows how the cash deficit is calculated.

Figure 4 – Determining the Cash Surplus/Deficit

Revenues	Coverage of own revenues over recurrent and capital spending
Operational Expenditures	
<i>Operating Balance</i>	
Net Capital Expenditures	
<i>Fiscal balance</i>	
Change in Financial Assets	Financing sources for the deficit or investment options for a surplus
Change in Liabilities	

Table 4 – Categories of Financial Assets and Liabilities

Debt Servicing	These are classified as statutory payments. Both principle and interest payment flow schedules should be submitted to the CMU by the ACDM Division. Interest should be treated as an expense while amortization should be classified as a financing cashflow
Sale of Shares or Equity	This will be an infrequent occurrence but an important one from a cashflow perspective. The Ministry of Enterprises together with the MoF will need to forecast the probable timing and value for the sale

Eliminating non-cash elements from the Forecast

The cashflow plan and forecast are concerned with the change in the cash position of the GoS. As such, transactions which do not result in actual cashflows should be excluded. The tables above highlight some examples of non-cash elements which are currently included in the budget. Ministries and Departments should ensure that any payments for goods or services delivered by other parts of government, or by their ministry/department to other parts of government are executed as a journal voucher within FinanceOne. This will automatically eliminate these transactions from the cash plan – no cashflow will occur external to the TSA. These internal services remain an important element of the non-cash revenues for each output and therefore should be reported accordingly. However, for cash flow reporting and consolidated budget reporting the transactions must be eliminated.

Building and Maintaining the Model

The cashflow forecasting model is excel-based and designed to be automatically populated based on a series of linked input tables. Thus data is only entered into the model through these input tables – not elsewhere in the model. The data is subject to certain calculations and analysis in the second element of the model through linked worksheets. Finally, a range of reporting worksheets is derived for presentation to management at the final stage of the model. The number of reports which can be derived is unlimited – the model’s design allows for assumptions to be varied, which in turn will impact the final forecast. This is discussed further in the section on Analysis.

Gathering the Data

As Figure 2 indicates there are four primary sources of data. The templates for these inputs are contained in the Cashflow Forecasting Masterfile. The related worksheet titles are reflected in brackets:

1. **Actual Debt flows for domestic securities and borrowing and foreign borrowing, and any cashflows relating to other financing sources** (Financing Flows Worksheet) which includes sale of enterprises or shares, changes in other financial investments such as deposits. The Balance of the TSA or main fund is not included here as this is the balancing item for the model. The ACDM Division of the MoF should provide these datasets by 20 June each year;

2. **Integrated Cash and Procurement Plan for expenses and operational assets from Ministries/Departments** (Min Cash-Procurement Plan and Min Cash-Procurement -Total) – These plans should be received electronically by 5 July each year at the latest, in an excel worksheet template provided by the CMU. The template will include controls such as limiting where data can be entered to protect the integrity of each input received. The worksheet will also ensure that the cash plan cannot exceed the approved budget. Any plans received which exceed the approved budget will not be accepted. If a Ministry/Department fails to submit its plan, its warrants for non-salary spending will be withheld. A report regarding the non-compliance will also be issued. The CMU will seek a meeting with the non-compliant entities to resolve the issue quickly. As a default, CMU will use proxy calculations determined centrally in the absence of a submission. These will be derived from historical spending patterns and will reflect any known trends such as increased expenditures in the last month of the year.
3. **Revenue Seasonality Tables** (Revenue Seasonality Table) – The Cash management unit will maintain this element of the model and will update it each year. This is formatted to allow five years of seasonality calculations. The five tables are then combined to provide an overall percentage allocation for each type of revenue each month. The seasonality tables allow for each year of the data set to be weighted. The current setting is to weight each year evenly. However, this weighting can be varied to place greater emphasis on specific years in determining the forecast. This is demonstrated in Table 5 below.

Table 5 – Varying the Weighting for Seasonality Tables

Year	Scenario one – Percentage weighting	Scenario Two – Percentage weighting	Scenario Three – Percentage weighting
Year-1	20	50.0	50.0
Year-2	20	12.5	25
Year-3	20	12.5	25
Year-4	20	12.5	0
Year-5	20	12.5	0
Total Weighting =100%	100	100	100

Table 5 provides three scenarios; however, the actual options are unlimited. Scenario one weights each of the five years of revenue data equally. This assumes that future revenues are likely to be best forecast through an average of the revenue flows over the five years. Scenario two weights last year 50%; giving it a much bigger influence over the forecast. Each of the remaining four years are weighted equally, but represent only 50% of the model's weighting in total. Often the most recent year provides a better forecast than older years. The final scenario only uses three years of data. This approach would be useful where specific years had anomalies which could distort the forecast. An example could be where a revenue policy change took place, or the year a financial crisis that adversely impacted the economy and revenue flows. The weighting can also be varied for each individual type of revenue. Thus in a year where a specific type of tax had a policy change, earlier years for that tax could be excluded by allocating a weighting of zero just to that tax type.

Thus the model provides a useful tool to fine tune the forecast. The fine-tuning can be achieved by applying different weights to see if this improves the forecast. This would be particularly useful where the forecast continues to be unreliable, continually returning results which are more than 5% outside the actual revenues collected each month.

4. **Capital Project Cashflows** (Capital Cashflows) – This table must also be completed by 5 July each year by the relevant Department. This should be based on the best estimate of when the project deliverables will be met and in which month the payments are likely to be made. Many projects require multiple payments given the overall size and value, and each payment within the budget year must be scheduled to a specific month.

Checking the Model

The input tables will automatically update the forecasting model worksheet (forecast). However, it is important to ensure the model is reliable and does not have any obvious anomalies. The following checks should be undertaken:

- Ensure all cells appear to be populated as expected by the data tables. For example, there are no formula errors appearing in the model;
- Verify that the totals for the year do not exceed the budget for each item and in total – To verify these cumulative totals have been included in the final column to the right of the worksheet. These should equal the budget figures on the left hand side (unless the cashflow forecast is in variance to the budget);
- Verify that the overall structural cash balance reflected in the budget aligns with the model both at the beginning of the year and each month until the end of year forecast balance; and
- Confirm that each item month by month appears consistent with the model amounts. Very large and very small amounts that appear unusual should be verified.

Quarterly Review of the Cash Plans

At least quarterly, plans should be updated to reflect known changes in the cashflows. To reduce workloads, only those flows that change should be reported. The same templates should be used by each reporting entity, with the changed items highlighted in “red”. The quarterly submissions should be received by the 20th day of the month immediately before the quarter, e.g. 20 September, 20 December, and 20 March. Major changes which are recognized during the year and for amounts greater than 500,000 Tala should also be advised as they occur, outside of the quarterly reporting cycle.

Updating Actual Monthly Cashflows in the model

At the end of each month, a full new set of actual monthly cashflows are available to be entered into the model. These cells will be hidden in the model until the month is required. You should unhide the relevant columns only as needed, to reduce the size of the model. Adding the actual cashflows each month is important as it provides a

useful check as to the effectiveness of the forecast each month, and the evolving cumulative cash position for the year. The actuals each month are entered into the relevant monthly actuals columns and the model will automatically calculate the percentage difference between the forecast and the actuals for that month as per the table below.

Economic Item	July Forecast	July Actual	Percentage variance
Salaries	10,000,000	10,900,100	100.10
Goods and Services	3,000,000	2,900,000	96.67

Extrapolating the Full Year Trend each Month

A cumulative year to date column should also be updated, and compared to the cumulative forecast total for the same period to date. This will help determine the cumulative impact of all the months' cashflows as per the table below. As can be seen from the figures in this table, cash outflows for these items are running head of the forecast by 3% for salaries and nearly 14% for goods and services. This is a concerning trend even at this early stage in the year. The biggest issue with the forecast for this period is the cell highlighted in yellow, with the forecast 24% different from the actual expense for the month. This specific result should be highlighted in the monthly report.

Item	July For	July Actual	% Var	Aug For	Aug Act	% Var	YTD For	YTD Actual	% Var
Salaries	10,000,000	10,900,100	100.1	16,000,000	15,900,000	99.38%	26,000,000	26,800,100	103.08%
Goods and Services	3,000,000	2,900,000	96.67	5,000,000	6,200,000	124.00%	8,000,000	9,100,000	113.75%

The results year to date should now be analysed to see what the final impact will be at the end of the year, if the trend in cashflows year-to-date continues. This stage seeks to show what the impact will be on the budget estimates if the current cashflow trend continues for the whole year.

Item	Budget Estimates	Forecast YTD at end Aug	YTD Actual at end of August	% Var	Revised Budget Forecast
Salaries	130,000,000	26,000,000	26,800,100	103.08%	134,000,500
Goods and Services	50,000,000	8,000,000	9,100,000	113.75%	56,875,000
Total	180,000,000	34,000,000	35,900,100	106.04%	190,875,500

As the model shows the trend is very concerning with expenses on salaries and goods and services exceeding the budget estimate by over 6%. The important message here

is that early in the year, adequate time remains to make adjustments to spending, whereas later in the year, it is too late. This is why it is important to go beyond reporting actuals versus the forecast, and show decision makers the impact on the underlying cash position, should the current model trend continue. The role of the CMU is therefore to provide early warning regarding any structural cash issues for the budget.

Monthly Reporting

The monthly report should be produced within 10 days of month end and should include key reporting tables from the model including: monthly forecasts versus actuals, and the percentage variation; the year-to-date cumulative position versus the year-to-date forecast; and an extrapolation of the impact on the underlying cash balance if the cashflow trend at this point in the year continues for the full year. This information should be presented both in tabular and graphical formats. A template for the report is attached at Annexure C.

Colours should be used in tables and graphs, and even the text, to highlight areas which require particular attention. Yellow would mean a concern which should be highlighted, while red indicates a problem that must be rectified.

The report template from one month to the next need not vary significantly in terms of presentation, however, it should present information beyond the raw information contained in the model. For example, where expenditures are high in specific areas, these should be investigated to the extent possible and explanations provided in the report. If revenues are significantly below forecast these also need to be investigated. The Ministry of Revenue should be required to provide an explanation during weekly CMOC meetings, which could be included in the report.

Monthly reports should not just highlight concerning trends but suggest corrective action. For example, suggesting a reduction in warrant releases to try and curb spending beyond GoS forecast capacity. A final version of the monthly report should be prepared after consultation with the CMOC where guidance on corrective action can be provided. Thus while the report is prepared by the Cash Management Unit, it is a report from the CMOC to the CMSC and the Executive.

Daily forecast within the Week and Month

The template for the daily forecasting model is identical in terms of the level of detail reported in the monthly forecast. The focus however, is on forecasting the cash position of the TSA to determine whether adequate liquidity exists to support short term budget execution. The forecast should also inform decisions regarding the investment of surplus cash balances and short term borrowing including overdrafts.

Figure 5 is the format for the daily rolling forecasting model. The daily forecast is for 10 working days (public holidays will reduce this to nine or less days), or two weeks, with the two remaining weeks in the month forecast for the entire week. The breakdown of the forecast would generally link upwards to the aggregate figures reflected in the monthly forecast from the annual plan. However, given the greater

level of detail of this forecast, and its closer link to when the actual cashflows will occur, variations maybe evident. These confirmed variations should ideally flow up into a revised monthly forecast too.

This forecast is prepared entirely by the CMU based on the following for expenditures:

- Scheduling actual known payment dates for specific cash outflows. This would include all debt and interest payments, salaries and pensions, and other transfers such as subsidies and grants; this will require close liaison with key areas of the MoF and the Ministry of Public Enterprises responsible for these disbursement decisions (particularly if some discretion exists regarding when payments are processed);
- Using the due date in Finance One to determine specific payment dates for other payments. This will be further enhanced by advice received regarding high value payments. This element requires strong compliance by ministries and departments in registering invoices when they are received from vendors. This should include all goods and services and capital spending;
- Allocating any residual payments through an analysis of typical cashflows. For example, whether the remaining payments normally made early in the week or month, or later.

In relation to revenues, over 85% of revenues are collected by the MfR, with an additional 5% collected by the MoF. Thus the core focus can be on better understanding the patterns of these inflows within each month. The residual 10% of revenues will have limited impact on the overall TSA forecast. For specific taxes this will require a detailed analysis of when in the year, month and week different taxes are paid. For other large value revenues, a similar review process should be undertaken. Refunds of revenue will also require a similar analysis but given the timing for these outflows is at least partly controlled by government; it should be easier to create greater certainty regarding these outflows.

For the remaining 10% of government revenues, the initial focus should be on those payments which occur once a few times a year on particular dates. The remaining receipts which should be a relatively small percentage of the total, can probably be allocated evenly across the week and month, unless easily identifiable trends are evident (e.g. a large percentage of receipts occur over the last few working days of the month).

As the model is managed over a period of time cashflow patterns should emerge and become more obvious. In addition any issues with the forecast will also become evident and steps can be taken to create greater certainty regarding these cashflows, for example mandating that payments made or received occur on certain dates in a month⁹.

⁹ This can also be a useful practice in terms of matching outflows to inflows. One strategy is to ensure large outflows do not occur on the same day or in the same week as other large outflows, which would adversely impact liquidity.

Figure 5 – The Rolling Daily forecast for the Treasury Fund¹⁰

Forecast W1	D1	D2	D3	D4	D5	W1	D6	D7	D8	D9	D10	W2	W3	W4
Actual	D1	D2	D3	D4	D5	W1								
Variation	%	%	%	%	%	%								
Forecast W2	D6	D7	D8	D8	D10	W2	D11	D12	D13	D14	D15	W3	W4	W5
Actual	D6	D7	D8	D8	D10	W2								
Variation	%	%	%	%	%	%								

Figure 5 shows that as each week is completed, the model rolls forward to include a new week. Thus the model always forecasts four weeks ahead by weeks, and two weeks ahead by days. At the conclusion of each week the third week of the current model shifts from a weekly to a daily forecast. In addition, a new weekly forecast is added. As actual cashflows evolve these are compared each day to the forecast. Significant variations should be investigated and reported to the DCEO Accounts and as required to the CMOC, ideally with a recommendation on corrective action to prevent the errors in the future.

A number of outputs will be derived from this model:

- A daily forecast and brief report submitted to the DCEO Accounts. It should highlight both the daily result of the TSA forecast and the impact on the evolving position of the TSA; and
- A brief weekly report submitted to the CMOC electronically which summarizes the evolving weekly position. This would also include a report on the evolving monthly cash position. This is explained further in the next section.

These reports should largely follow the forecasting model template to reduce workloads, but be supplemented by a brief written commentary

Linking the Weekly forecast to the Monthly Forecast

A key to good forecasting is ongoing monitoring and early warning to management regarding emerging issues with the GoA cash position. While liquidity and the TSA balance is the primary focus for the daily forecasting model, it also has a strong relationship to the monthly forecast, and ultimately the underlying cash balance of the budget. Thus in as each day's actual cashflows are reported, these should also be fed into a further analytical table which populates the month to date actual cashflows against the monthly forecast. The focus here should be on early warning if the monthly forecast is under pressure. As with the monthly reporting process, the cumulative daily cashflows are compared to the forecast, and extrapolated forward for the full month. As each day is added, the reliability of this analysis improves. This is very useful in providing early warning regarding the accuracy of the monthly forecast, and in turn, any possible impact on the underlying cash balance for the budget.

¹⁰ In this table D refers to days, and W to weeks

