



# Cash Management & Forecasting

## St. Kitts Experience

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**Accountant General Department**  
**Ministry of Finance**  
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# Accountant General Department Mission

**To ensure efficient and effective managing and reporting of Government's financial operations, in order to support and foster the achievements of Government's goals and objectives with the highest level of proficiency, confidentiality and professionalism with the support of a well trained and highly motivated staff.**



# Cash Management

- Definition

- Cash Management is the stewardship or proper use of an entity's cash resources. It serves as the means to keep an organization functioning by making the best use of cash or liquid resources of the organization.



# Cash Management

## ■ Background

- CARTAC funded Treasury Review conducted by Mr. John Gardner, IMF Panel of Expert Consultant - 25 February to 10 March 2008.
- Cash Flow Management Mission by the ECCB, 24 – 31 March 2008.
- CARTAC Mission PFM Advisor Denis LePage 20<sup>th</sup> March 2009.



# Objectives of Cash Management

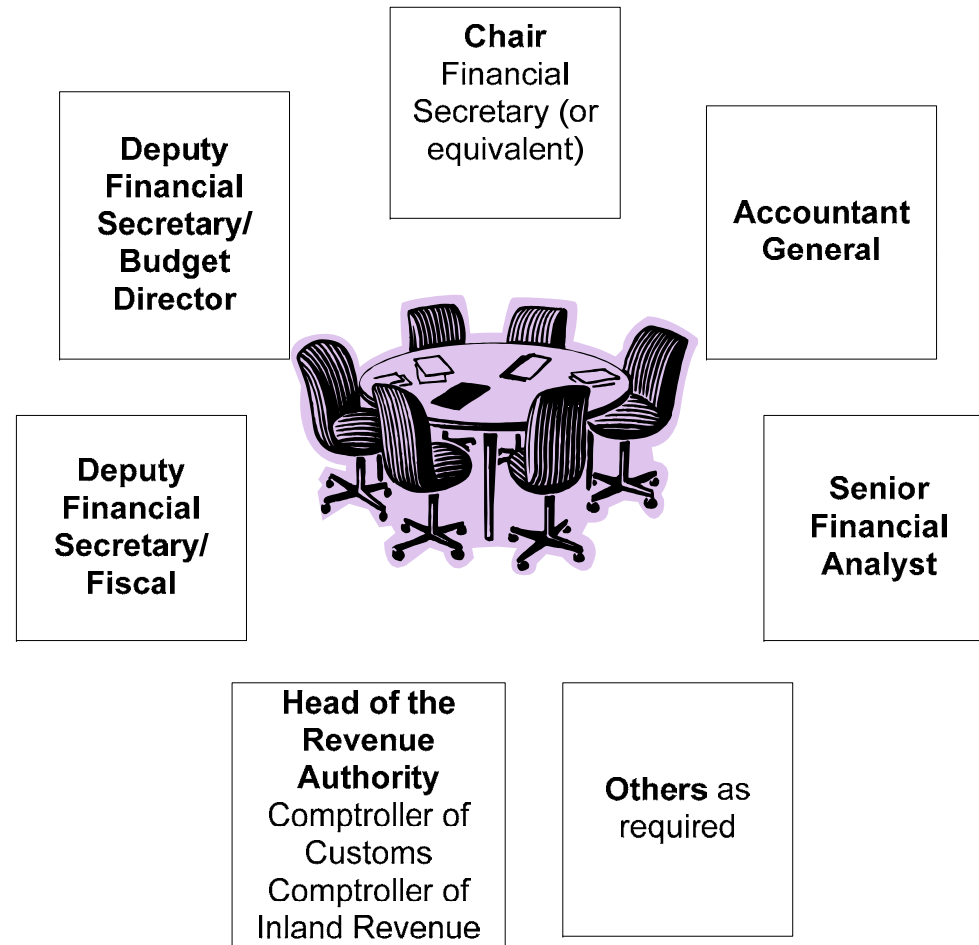
- To eliminate idle cash balances;
- To deposit collections timely;
- To properly time disbursements;
- Accelerates availability of funds;
- Improves Internal Controls;
- Provide better cash forecasting;
- Optimized Information System and Information Sharing.



# Overview

- Cash Management Framework
  - Finance Administration Act 2007
  - Cash Management Committee (CMC)
    - Terms of Reference
    - Functions

# C M C Composition





# Purpose of CMC

- To provide a consultative forum that can effectively address the proper use of the Government's cash resources;
- To review cash positions;
- To advise on the management and disbursement of cash;
- To advise the Minister of Finance and Cabinet of cash management issues (Financial Secretary).



# CMC

## ■ Terms of Reference:

- Advise Financial Secretary/Minister for Finance about measures necessary to “stay within the budget”.
  - Review revenue, commitment and expenditure achievements and outcome projections for the remainder of the FY.
  - Recommend/determine both commitment and expenditure limits for all Ministries/Departments for the next quarter/remainder of the FY.
- CMC meets every week to review, set limits and prioritize payments;
  - At the CMC meeting the revenue agencies, economic managers and forecasters participate.



# Cash Management Implementation

- Cash Management Implementation Team (CMIT)
  - Consist of Accountant General, Assistant AG, Funds Manager, Financial Analyst, Payroll Supervisor;
  - Reviews bank balances, loan payments and prioritize payments;
  
- Half year meetings with Line Ministries on requirements for Cash Management Strategies.
  
- Strengthen relationship with Financial Institutions
  - Annual meetings to discuss issues and negotiate lower bank charges



# Cash Management Arrangements

- Matching inflows from financing activities with outflows require best estimates of future aggregate cash flows from underlying Ministries (Revenue Agencies)
  - Ministries are the best source of this information since they manage their own working capital



# Cash Management Arrangements

- Solution to aggregate cash management:
  - Cash flow forecasting template;
  - Closing of Accounts – dormant/inactive and deemed to be unnecessary or underutilized;
  - Bank Statements collection daily; balance enquiries at least 2x per day; bank reconciliation daily; bank reconciliation module in IFMIS and opening of sweep accounts;
  - Utilization of ECCB Operating accounts.



# Cash Forecasting

- Approved Budget
- Existence of historical data
- Reliable Integrated Financial Management System
  - Fitrix 4<sup>th</sup> Generation



# Cash Forecasting

## Cash Flow Forecasting

- Information Collection Guide;
- Ministries required to produce monthly expenditure forecast;
- Cash flow forecast consisting :
  - Annual profile of month-end balances and
  - Monthly profile of daily balances

