national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

TO ALL: **ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS**

ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 2 AND 3 TO THE PFMA

HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY INSTRUCTION NO. 03 OF 2017/2018

COST CONTAINMENT MEASURES

1 PURPOSE

1.1 This Treasury Instruction repeals Treasury Instruction No. 2 of 2016/2017 on Cost Containment Measures for departments, constitutional institutions and public entities listed in Schedules 2 and 3 to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

1.2 Cost containment measures applicable to executive authorities will be prescribed in the revised Ministerial Handbook.

2 BACKGROUND

2.1 Section 38(1)(b) of the PFMA requires accounting officers of departments and constitutional institutions to be responsible for the effective, efficient, economical and transparent use of their respective institutions' resources. Sections 38(1)(c)(iii) and 51(1)(b)(iii) of the PFMA require accounting officers and accounting authorities to take effective and appropriate steps to manage the available working capital of their respective institutions efficiently and economically.

2.2 Accounting officers and accounting authorities are therefore required to implement control measures to ensure that all expenditure in their respective institutions is necessary, appropriate, cost-effective and is recorded and reported, as prescribed by the relevant legislative framework.

2.3 In giving effect to this requirement, accounting officers and accounting authorities are responsible for ensuring that all employees are mindful of the current economic realities and the need to intensify efforts to improve efficiency in expenditure.

2.4 On 30 September 2016, the National Treasury issued Treasury Instruction No. 2 of 2016/2017 on cost containment measures which took effect from 1 November 2016.

2.5 During implementation of the Treasury Instruction mentioned in paragraph 2.4 above, it came to light that certain provisions are impractical to implement, hence posing difficulties to ensure full compliance with Treasury Instruction No. 2 of 2016/2017. Therefore accounting officers and accounting authorities are required to implement the cost containment measures set out in paragraphs 4 and 5 below.

2.6 The enclosed **Annexure A** contains cost containment measures that accounting officers and accounting authorities may consider introducing to further curtail operational costs and to eliminate non-essential expenditure.

3 ENFORCEMENT OF COST CONTAINMENT MEASURES

3.1 Accounting officers of departments and constitutional institutions are reminded that section 38(1)(c)(ii) of the PFMA require accounting officers to take effective and appropriate steps to prevent unauthorised expenditure (in the case of departments) and irregular expenditure and fruitless and wasteful expenditure (in the case of all institutions). Section 51(1)(b)(ii) of the PFMA requires similar of accounting authorities of public entities.

3.2 In terms of sections 45(c) and 57(c) of the PFMA, employees must (within their areas of responsibility), take effective and appropriate steps to prevent unauthorised expenditure (in the case of employees of departments) and irregular expenditure and fruitless and wasteful expenditure (in the case of employees of all institutions).

3.3 Non-compliance with the provisions of this Treasury Instruction can constitute grounds for financial misconduct, as regulated in Chapter 10 of the PFMA.

3.4 Irregular expenditure resulting from non-compliance with this Treasury Instruction must be recorded as such in the irregular expenditure register and disclosed appropriately in the annual financial statements of the institution.

4 COST CONTAINMENT MEASURES

Engagement of professional service providers (consultants)

4.1 Accounting officers and accounting authorities must ensure that consultants are appointed only where this is a cost-effective alternative to the utilisation of staff employed by the department, constitutional institution or the public entity concerned. The appointment of consultants must be supported by a motivated business case setting out an analysis of the underlying skills gap and a diagnosis of requirements and specified deliverables, as approved by the accounting officer or accounting authority.

4.2 Bid documentation for the appointment of consultants must include a clause that rates of remuneration will be subject to negotiation, not exceeding the applicable rates as contained in the guidelines referred to in paragraph 4.3 below.

4.3 Accounting officers and accounting authorities must adopt a fair and reasonable remuneration framework for consultants, taking into account –

(a) The "Guideline on Fees for Audits done on behalf of the Auditor-General of South Africa (AGSA)[1]" as issued by the South African Institute of Chartered Accountants (SAICA);

(b) The "Guide on Hourly Fee Rates for Consultants", as issued by the Department of Public Service and Administration (DPSA); and/or

(c) Remuneration guidelines issued by professional service organisations or regulatory bodies, as may be relevant.

[1] The rates in the "Guideline on Fees for Audits done on behalf of the Auditor-General of South Africa (AGSA)" may be used even though the assignment may not be audit related.

4.4 When negotiating cost-effective consultancy rates for international consultants and expert advisors, accounting officers and accounting authorities may also take into account the relevant international and market-determined reference rates.

4.5 Consultants must, where practical, be appointed on an output-specified basis, subject to a clear specification of deliverables and associated remuneration. Where consultants are appointed on a time and cost basis, this must be accompanied by regular monitoring and reporting on activities, outputs and deliverables.

4.6 Consultancy contracts must include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements.

4.7 Accounting officers and accounting authorities may approve alternative travel and subsistence arrangements for international consultants and expert advisors, taking into account relevant cost-efficiency measures.

4.8 Accounting officers and accounting authorities must ensure that appropriate monitoring and reporting requirements are set for all consultancy contracts and that penalty provisions are invoked when deemed necessary.

Catering expenses

4.9 Accounting officers and accounting authorities must implement policies and procedures to eliminate unnecessary catering expenses.

4.10 Departments, constitutional institutions and public entities may not incur catering expenses for internal meetings[2], unless approved otherwise by the relevant accounting officer or accounting authority.

4.11 Notwithstanding the provisions of paragraph 4.10 above, departments, constitutional institutions and public entities may incur catering expenses for official engagements that last for five (5) continuous hours or more, including –

(a) the hosting of conferences, workshops, indabas, forums, recruitment interviews, training sessions or hearings;

(b) meetings related to commissions or committees of inquiry; or

(c) meetings hosted by the accounting officer or accounting authority, including governance committee meetings.

Entertainment expenses

4.12 Entertainment allowances for qualifying persons[3] may not exceed two thousand rand (R2000) per person per financial year, unless approved otherwise by the accounting officer or accounting authority.

4.13 Entertainment allowances for accounting officers, accounting authorities[4], chief executive officers or other persons in charge of public entities may not exceed four thousand rand (R4000) per person per financial year, unless approved otherwise by the National Treasury.

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[2] For purposes of applying this paragraph of the Treasury Instructions, meetings held with employees from the same institution who are not based at the centre where the meeting is being held are not considered as internal meetings.

[3] Qualifying persons are those employees who are allocated an entertainment allowance in terms of a policy of the institution.

[4] Where the public entity has a board or controlling body, the entertainment allowance of R4000 shall be applicable to that board or controlling body as a collective and not for individual members.

Alcohol expenses

4.14 Expenditure on alcoholic beverages may not be included in the accommodation or subsistence costs of employees of departments, constitutional institutions or public entities or by persons appointed in terms of section 12A[5] of the Public Service Act, 1994.

4.15 Expenses related to alcohol may not be claimed as part of reimbursable expenses, including entertainment expenses, by employees of departments, constitutional institutions or public entities or by persons appointed in terms of section 12A of the Public Service Act, 1994.

4.16 Accounting officers and accounting authorities may only incur expenses on alcoholic beverages at –

(a) state banquets;

(b) functions hosted for the promotion of South Africa and its goods or services; or

(c) the hosting of foreign dignitaries.

Expenses related to social functions and corporate branded items

4.17 Accounting officers and accounting authorities must ensure that social functions, team building exercises, year-end functions, sporting events, budget vote dinners and other functions that have a social element are not financed from the budgets of their respective institutions or by any suppliers or sponsors.

4.18 Expenditure may not be incurred by departments, constitutional institutions and public entities on corporate branded items of clothing or goods for personal use of employees (other than uniforms, office supplies and tools of trade) unless costs related thereto are recovered from those employees that are availed the items.

4.19 Accounting officers and accounting authorities may incur expenditure to host farewell functions in recognition of employees who –

(a) retire after serving the department, constitutional institution or public entity for ten (10) or more years; or

(b) retire on grounds of ill health.

Expenses on newspapers and other publications

4.20 Newspapers and other related publications for the use of employees must be discontinued on expiry of existing contracts or supply orders.

Expenses related to telephone, cellular phones and data facilities

4.21 Accounting officers and accounting authorities must implement policies and procedures to effectively manage and monitor expenses related to telephones, cellular phones and data facilities, including the recovery of costs for the private use thereof by employees.

[5] Persons appointed in terms of section 12A of the Public Service Act, 1994 refers to special advisors appointed for each Minister or Premier.

4.22 The allocation of cellular phones and data facilities and the reimbursement of communication related expenses must be managed in accordance with the requirements associated with an employee's responsibilities rather than levels of occupational positions.

4.23 Accounting officers and accounting authorities **may**, subject to paragraph 4.24 below, participate in the transversal term contract (RT15) arranged by National Treasury for the acquisition of mobile communications services. Documents related to this transversal term contract can be downloaded via the following web link:

http://www.treasury.gov.za/divisions/ocpo/ostb/contracts/default.aspx

4.24 If accounting officers and accounting authorities decide not to participate in the transversal term contract referred to in paragraph 4.23 above, the accounting officers or accounting authorities concerned must report the discounts that will be achieved by their respective institutions and obtain approval from National Treasury prior to the conclusions of their mobile communication services contracts. This information must be submitted to the National Treasury via e-mail to transversal.contracting@treasury.gov.za.

Expenses related to advertising

4.25 Accounting officers and accounting authorities must exercise strict control of public communication campaigns, publications and advertisements to ensure moderation and cost-effectiveness. Vacancies must, where practical, be advertised through bulk advertisements with minimal information related to the position. Detailed job specifications related should be provided on the website of the department, constitutional institution or public entity.

Hiring of Venues

4.26 Expenditure on the hiring of venues for official engagements must be strictly controlled and government-owned facilities and resources must be used unless such venues are not available.

5 COST CONTAINMENT MEASURES RELATED TO THE HOSTING OF AND ATTENDANCE AT CONFERENCES OR EVENTS

Review of planned conferences[6] and events

5.1 Before approving the hosting of conferences or events, accounting officers and accounting authorities must ensure that the costs associated with such have been reliably estimated, cost-effective options have been assessed and that sufficient budgeted funds are available to host the conference or event.

5.2 When assessing whether to host conferences or events, at least the following costs must also be taken into account –

(a) employee time for conference or event preparation and planning;

(b) employee time for attendance at the conference or event or en route; and

(c) any other costs referred to in paragraph 5.6 below that are charged for the hosting or running of the conference or event.

[6] A conference is a formal meeting of people with a shared interest, typically taking place over several days and includes conventions, symposiums, roundtables, and exhibitions where participants exchange ideas, debate or discuss matters of a specialized or professional nature that is necessary for pursuing.

5.3 When assessing cost-effective options to host conferences or events for 300 or more delegates, accounting officers and accounting authorities must take cognisance of the cost restrictions referred to in paragraph 5.5 below.

5.4 Accounting officers and accounting authorities must treat each conference or event that is hosted as a separate project and all expenditure incurred by the department, constitutional institution or public entity for hosting a conference or event must be recorded against the relevant items associated with a project.

Hosting of conferences or events (within the borders of South Africa)

5.5 Accounting officers and accounting authorities may proceed with the hosting of conferences or events where the expenses related thereto do not exceed the rates referred to in **Table 1** of this Treasury Instruction. The National Treasury may periodically review these amounts.

Table 1: Rates set for hosting of conferences or events per person per day

Hotel Grading	*Cost per delegate per day*
3 Star	R 350.00
4 Star	R 480.00
5 Star	R 565.00

Inclusive of conference or event package, food and beverages excluding costs of other services and items that conference or event organizers will require.

5.6 For the purposes of paragraph 5.5 above, the following services that are required by the conference or event organisers are excluded from the costs referred to in **Table 1** –

(a) hiring of the venue, including the hiring of rooms for official business;

(b) usage of audio visual and other equipment;

(c) computer, fax, internet and telephone access;

(d) printing;

(e) outlays for conference or event preparation and planning;

(f) transportation of equipment or material to be showcased at the conference or event;

(g) speaker fees;

(h) administrative expenses;

(i) translation and interpretation expenses; or

(j) security costs to ensure the safety of attendees or dignitaries.

5.7 Where the expenses related to a conference or event exceeds the rates referred to in paragraph 5.5 above, the accounting officer or accounting authority must obtain prior written approval from the relevant treasury before proceeding with any arrangements related to that conference or event. If such prior written approval is not obtained, the expenditure related thereto shall be regarded as irregular expenditure and *ex post facto* approval may not be granted by the relevant treasury.

5.8 When approaching the relevant treasury for approval in terms of paragraph 5.7 above, the accounting officer or accounting authority must, as a minimum, submit the following information –

(a) the nature of the conference or event;

(b) the target audience;

(c) the total number of anticipated delegates;

(d) the attendance cost per person;

(e) the breakdown of the conference or event expenses;

(f) how the conference or event contributes to the mandate of the department, constitutional institution or public entity; and

(g) how the conference or event contributes to relationships with stakeholders.

5.9 Accounting officers and accounting authorities must exercise effective control of conference or event expenses and avoid incurring non-essential expenditure by identifying opportunities to maximise the use of government owned facilities and resources, where available.

Attendance at external conferences or events (within the borders of South Africa)

5.10 Accounting officers and accounting authorities must establish policies and procedures to manage applications by employees to attend conferences or events hosted by professional bodies or non-governmental institutions (external conferences or events) held within the borders of South Africa, taking into account their merits and benefits, costs and available alternatives.

5.11 Accounting officers and accounting authorities may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an employee to attend a conference or event within the borders of South Africa. Such benchmark costs may not exceed R2 500 per employee per day. The National Treasury may periodically review this amount.

5.12 If the amount referred to in paragraph 5.11 above exceeds R2 500 per employee per day, the accounting officer or accounting authority may consider granting approval for employees of their respective institutions to attend.

5.13 The amount of R2 500 or the amount approved in terms of paragraph 5.12 above excludes costs related to travel, accommodation and related expenses, however includes the following –

(a) conference or event registration expenses;

(b) incidental expenses; and

(c) any other expense incurred in relation to the conference or event.

5.14 Accounting officers and accounting authorities must ensure that travel and subsistence expenses related to their respective employees are consistent with National Treasury Instruction No. 04 of 2017/2018 on Cost Containment Measures related to Travel and Subsistence.

5.15 When reviewing applications from employees to attend conferences or events within the borders of South Africa, accounting officers and accounting authorities must at least take the following into account –

(a) the employee's role and responsibilities and the anticipated benefits of the conference or event;

(b) whether the conference or event addresses relevant concerns of the institution;

(c) the appropriate number of employees attending the conference or event; and

(d) the availability of funds to meet expenses related to the conference or event.

5.16 Employees of departments, constitutional institutions and public entities must, where applicable, take advantage of early registration discounts for conferences or events.

5.17 Employees of departments, constitutional institutions and public entities may not participate in conferences or events that offer inappropriate marketing benefits such as laptops, tablets and other similar electronic equipment to attendees.

Attendance at external conferences, events and study tours (outside South Africa)

5.18 Accounting officers and accounting authorities must establish policies and procedures for the approval of employees attending conferences, events and study tours hosted by professional bodies and other governmental or non-governmental institutions held outside the borders of South Africa (external conferences, events and study tours), taking into account their merits, benefits, costs and available alternatives.

5.19 Expenses related to the attendance of external conferences, events or study tours may not exceed R60 000 per employee per conference, event or study tour. The National Treasury may periodically review this amount.

5.20 If the amount referred to in paragraph 5.19 above exceeds R60 000 per employee per conference, event or study tour, the accounting officer or accounting authority may consider granting approval for employees of their respective institutions to attend.

5.21 The amount of R60 000 or the amount approved in terms of paragraph 5.20 above excludes costs related to travel, accommodation and related expenses, but includes costs related to the following –

(a) conference registration expenses;

(b) incidental expenses; and

(c) any other expense incurred in relation to the conference, event or study tour.

5.22 Accounting officers and accounting authorities must ensure that travel and subsistence expenses related to their respective employees are consistent with National Treasury Instruction No. 04 of 2017/2018 on Cost Containment Measures related to Travel and Subsistence.

5.23 When considering applications by employees to attend conferences, events or study tours outside the borders of South Africa, accounting officers and accounting authorities must at least take the following into account –

(a) the employee's role and responsibilities and anticipated benefits of the conference, event or study tour;

(b) whether the conference, event or study tour addresses relevant concerns of the institution;

(c) the number of employees attending the conference, event or study tour is limited to one (1), unless approved otherwise by the accounting officer or accounting authority; and

(d) funds are available in the institution's budget to meet expenses related to the conference, event or study tour.

5.24 Employees of departments, constitutional institutions and public entities must, where applicable, take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference, event or study tour.

6 TRAVEL AND SUBSISTANCE

Accounting officers and accounting authorities must ensure that all travel and subsistence expenditure incurred by their respective institutions is consistent with National Treasury Instruction No. 04 of 2017/2018 on Cost Containment Measures related to Travel and Subsistence.

7 REQUESTS FOR TREASURY APPROVAL

7.1 Accounting officers of national departments, constitutional institutions and accounting authorities of national public entities must submit requests for treasury approvals, as referred to in paragraph 4.13 and 5.7 above to:

The Director-General
National Treasury
Private Bag X115
PRETORIA
0001
For attention: The Accountant-General

7.2 Accounting officers of provincial departments and accounting authorities of provincial public entities must submit requests for approval, as referred to in paragraph 5.7 above, to their respective provincial treasuries.

8 ADDITIONAL COST CONTAINMENT MEASURES

In addition to the cost containment measures prescribed in paragraphs 4 and 5 above, accounting officers and accounting authorities are urged to consider implementing additional cost containment measures as contained in the enclosed **Annexure A**. Such measures are considered necessary especially in light of the current economic realities.

9 APPLICABILITY

This Treasury Instruction applies to all departments, constitutional institutions and public entities listed in Schedules 2 and 3 to the PFMA.

10 EFFECTIVE DATE

This Treasury Instruction takes effect from the date of issue.

11 REPEAL OF NATIONAL TREASURY INSTRUCTION NO. 2 OF 2016/2017

National Treasury Instruction No. 02 of 2016/2017 on Cost Containment Measures dated 30 September 2016 is hereby repealed.

12 DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

12.1 Accounting officers of national departments are requested to bring the contents of this Treasury Instruction to the attention of all:

(a) accounting officers of constitutional institutions that receive transfers and subsidies from its vote; and

(b) accounting authorities of public entities reporting to their executive authorities.

12.2 Head officials of provincial treasuries are requested to bring the contents of this Treasury Instruction to the attention of all accounting officers of departments and accounting authorities of public entities in their respective provinces.

13 AUTHORITY FOR THIS INSTRUCTION

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

14 CONTACT INFORMATION

Enquiries related to this Treasury Instruction may be directed to:

Moipone Ramoipone
Director: PFMA Support
Office of the Accountant-General
Phone: 012 315 5284
E-Mail: oagqueries@treasury.gov.za; or
PFM queries portal: http://pfmportal.treasury.gov.za/

JAYCE M NAIR
ACTING ACCOUNTANT–GENERAL

DATE: 15/05/2017

ANNEXURE A

ADDITIONAL COST CONTAINMENT MEASURES FOR CONSIDERATION BY ACCOUNTING OFFICERS AND ACCOUNTING AUTHORITIES

Inventory

1. Supplier and early settlement discounts can be negotiated to secure lower prices.
2. Savings on the amount of paper used may be considered by printing draft documents 'back to back' and by using colour printing facilities sparingly.
3. The use of electronic mail (email) should be encouraged instead of postage.
4. Consideration should be given to purchasing software licenses through the State Information Technology Agency (SITA) to leverage economies of scale and preferential rates.

Water and Electricity

5. Water and electricity must be used sparingly to lower utility costs.

Communication

6. Telephone and/or video conferencing facilities should be used, where possible, to avoid unnecessary travel and subsistence costs.

Advertising

7. Consideration should be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.

Miscellaneous measures

8. There should be synergy between similar business activities to avoid duplication of processes and efforts.
9. Labour saving devices should be shared within the establishment to optimize the capacity utilization of each device.
10. Warranties on motor vehicles and computer equipment should, where possible, be extended for reasonable periods instead of procuring new motor vehicles and computer equipment.
11. Purchasing of new furniture and equipment and office refurbishments should only be undertaken where absolutely necessary.