Guideline on Cost Containment Measures
National Treasury Instruction 01 of 2013/2014

OFFICE OF THE ACCOUNTANT-GENERAL
August 2014
TABLE OF CONTENTS

PART A: BACKGROUND ........................................................................................................... 2
PART B: DEFINITIONS ............................................................................................................ 2
PART C: GAP ANALYSIS ......................................................................................................... 6
PART D: ASSESSMENT FOR DEVELOPMENT OF A GAP ANALYSIS .................. 8
PART E: DEVELOPMENT OF A BUSINESS CASE .............................................................. 11
PART F: LIST OF OTHER PROFESSIONAL BODIES ...................................................... 12
PART G: FREQUENTLY ASKED QUESTIONS ......................................................................... 14
PART H: CONTACT INFORMATION ..................................................................................... 20
ANNEXURE A: CONSULTANTS REDUCTION PLAN (EXAMPLE) ............................... 21
PART A: BACKGROUND
1. On 23 October 2013, Cabinet resolved that all departments, constitutional institutions and public entities listed in Schedule 2 and 3 to the Public Finance Management Act (PFMA), (Act 1 of 1999) must implement measures to contain operational costs and eliminate all non-essential expenditure. In its quest to limit non-essential expenditure, Cabinet requested the Minister to introduce cost saving measures to PFMA compliant institutions. This led to the National Treasury amending the Treasury Regulations dealing with cash, banking and investment to introduce limitations on the use of debit and credit cards. In addition, the National Treasury published a National Treasury Instruction 01 of 2013/2014 to introduce cost containment measures in all PFMA compliant institutions.

2. This guideline serves to provide PFMA complaint institutions with the interpretation and application of the National Treasury Instruction dealing with cost containment measures and to assist institutions with the general implementation of the Treasury Instruction.

PART B: DEFINITIONS
3. Another appropriate authority (as indicated in paragraph 4.1) means any official, holder of a specific post or committee that has been delegated a responsibility by the accounting authority in terms of section 56 of the PFMA;

4. Consultant (as indicated in paragraph 4.1) means a professional person appointed to provide technical and specialist advice or to assist with the design and implementation of projects and/or programmes. The legal status of this person can be an individual, a partnership, a corporation or a company. The fact that a consultant is defined as a professional person implies that the consultant is professionally qualified. The provision of advice or service provided by a consultant must be in line with a contractual arrangement (usually commissioned on a project basis). Remuneration will be based on an hourly fee or fixed fee for a product or a deliverable. Further to this, a consulting service refers:

4.1 to those specialist services and skills that are required for the achievement of a specific objective with the aim of providing expert and professional advice on a time and adhoc basis. These professional services may include:

(a) the rendering of expert advice;
(b) obtaining relevant information from the institution to draft a proposal for the execution of specific tasks that are of a technical or intellectual nature;
(c) business and advisory services;
(d) infrastructure and planning services;
(e) laboratory services; and
(f) science and technology;

5. **Contractor means** a person appointed to provide services which are of a non-specialised nature, that are not core business of the institution. It is normally not cost effective to maintain these skills within the institution. Contracting involves an activity of a short-term assignment on a specific projects;

6. **Catering expenses (as indicated in paragraph 4.23) means** expenditure incurred on refreshments by an institution, or division within an institution that directly relates to the achievement of its objectives will include but is not limited to:
   (a) refreshments for conferences, workshops, indabas, courses, forums, recruitment interviews, training sessions, hearings and meetings (if such lasts for more than 5 continuous hours); and
   (b) refreshments provided for members of boards and governance committees, persons employed by other organs of state and members of official commissions or committees of inquiry;

7. **Disability (as indicated in paragraph 4.9) means** people who have a long-term or recurring, physical or mental impairment, which substantially limits their prospects of entry into, or advancement in employment. The scope of protection for people with disabilities in employment focuses on the effect of a disability on the person in relation to the working environment;

8. **Employees appointed in terms of section 12A of the Public Service Act, 1994 (PSA) (as indicated in paragraph 4.7) means** persons appointed on grounds of policy considerations in terms of section 12A of the Public Service Act, 1994 which are subject to determination of the executive authority and may be one or more persons under a contract, whether in a full-time or part-time capacity to: (a) advise the executive authority on the exercise or performance of the executive authority’s powers and duties; (b) to advise the executive authority on the development of that policy that will promote the relevant department’s objectives; or (c) to perform such
other tasks as may be appropriate in respect of the exercise or performance of the executive authority’s powers and duties;

9. **Entertainment allowance (as indicated in paragraph 4.24) means** an allowance awarded to selected\(^1\) officials for expenditure in performance of their duties that includes but is not limited to expenditure for;

(a) Luncheon meetings held with colleagues, foreign delegations and/or other individuals from within or outside the public sector;

(b) Purchase of dinner during authorised overtime, if no compensation in a form of time off or additional pay is approved, provided that the closing time is later than 20h00;

**This item of entertainment allowance does not include spending on:**

(a) Gifts (including flowers) to individuals;

(b) Cost of meals claimed by individuals when away from home on official duty; or

(c) Alcohol, unless the purchase of such alcohol is in line with paragraph 4.25 of the National Treasury Instruction 01 of 2013/2014;

10. **Events hosted by South Africa (as indicated in paragraph 4.16(b) means** local or international events hosted in South Africa which may include, but is not limited to:

(a) Sporting events;

(b) Opening of Parliament;

(c) United Nations Conferences; and

(d) International events hosted or coordinated by the Department of International Relations and Cooperation;

11. **Foreign or international dignitary [as indicated in paragraph 4.25(c)] means** a person who holds a high rank or office in a government of another country or who is part of a trade delegation;

12. **Governance Committees means** members belonging to a body that provides oversight and assurance functions over the daily operations of a department, constitutional institution, or a public entity listed in Schedules 2 and 3 to the PFMA. Such governance committees may include:

(a) Board committees;

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\(^1\) Officials of departments, constitutional institutions, trading entities or government components and public entities listed in Schedules 2 and 3 to the PFMA selected by the accounting officer or accounting authority respectively.
(b) Audit committees;  
(c) Risk committees; and/or  
(d) Anti-corruption committees;  

13. **Outsourced services** means an activity outsourced when an institution appoints a third party to carry out specific projects on its behalf in which an institution remains accountable for such outsourced services. These projects usually take a longer period of time to complete and often spans over financial years;  

14. **Particular terrain (as indicated in paragraph 4.18)** means a specific geographic area with mountainous or gravel roads;  

15. **Peak holiday period [as indicated in paragraph 4.16(a)]** means a period during South African school holidays and public holidays as provided for in the South African calendar;  

16. **Professional bodies [as indicated in paragraph 4.2(c)]** means a body that includes prescribes codes of conduct and ethical standards for its members as well as providing a voice for the profession and a vehicle for sharing information and networking amongst its members;  

17. **Social event (as indicated in paragraph 4.26)** means an occasion where people assemble for social interaction (including year-end functions) and entertainment, which includes events of a recreational nature which has no direct connection to the achievement of the institution’s objectives;  

18. **Special need (as indicated in paragraph 4.9)** means a distinctly different need of an official that requires the accounting officer or accounting authority to make a judgment call to provide for such a need; and  

19. **State banquet [as indicated in paragraph 4.25(a)]** means a function paid from the budget of the state and which is hosted by the head of a state in order to renew and celebrate diplomatic ties between the host country and the country of a foreign head of state or head of government who was issued with an invitation. The banquet or function forms part of a state visit or diplomatic conference held with foreign/international dignitaries.
PART C: GAP ANALYSIS

20. Accounting officers and accounting authorities, when appointing and managing consultants and consultancy projects, must critically evaluate the internal control processes of their respective institutions to ensure that value for money is achieved when making use of consultants.

WHAT IS THE DEFINITION OF A GAP ANALYSIS

21. A gap analysis in relation to this guideline may be defined as gaps identified between current available human resources and human resources required to complete a specific project. This means that institutions should first conduct a skills gap analysis within its structures prior to seeking the use of consultants.

WHAT IS THE PURPOSE OF A GAP ANALYSIS

What is a Gap Analysis and how does it support the work around use of consultants and institutional effectiveness?

22. The purpose of a gap analysis process is to strengthen the ability of institutions to identify skills shortages and skills that are available to the institution which is not being utilized. It is also to ensure that skills that are sourced through consultants are skills that are lacking in an institution. There will be instances were an institution will have the required skills readily available but requires an independent consultant to conduct the work due to the nature of work required.

23. The guideline presents an institution with a framework and an assessment that may be used to assist in carrying out their gap analysis. A variety of instruments may be used to gather data on a gap analysis, which may include amongst others, the use of surveys, results of audits and etc. These instruments are tools to be used to enable institutions to get a clearer picture of their skills/capacity constraints and challenges in achieving certain areas of work that requires specific skills. For this guideline, an assessment/checklist was selected as the most suitable and appropriate tool to be used by institutions to assist in performing a gap analysis prior to the appointment of consultants.

PLANNING AND APPOINTMENT

24. The nature and extent of services required should be analysed taking into account the long-term objectives and needs of the institution with a view to differentiating between services where permanent capacity is required (as indicated in paragraph
27. Internal vacancies and capacity should be assessed regularly and internal processes that hinder the filling of vacancies should be revised. The assessment of internal capacity should include amongst others:

   (a) Updating human resource plans to align institutional needs with existing and projected capacity requirements, as well as funding needed;  
   (b) The possible impact that the moratoriums on the filling vacancies has on service delivery;  
   (c) Staff retention strategies;  
   (d) The filling of vacant posts, especially the periods taken to advertise, shortlist, interview and make offers to successful candidates, should be monitored to ensure that these processes are concluded in a timely manner; and  
   (e) The processes of staff recruitment after resignations and prioritizing advertisements for vacancies in key positions.

TRAINING AND TRANSFER OF SKILLS BY CONSULTANTS

28. Contracts of consultants must provide for the transfer of skills, which must be agreed upfront between the contracting parties.
29. Officials to whom skills will be transferred must be made available and assessed during the course of the project to confirm their understanding of the deliverables. This should be monitored continuously and not only at the completion phase of the project.

30. Where institutions do contract consultants to perform a core function, action plans should be implemented to create sustainable capacity on a permanent basis.

**PERFORMANCE MANAGEMENT AND MONITORING**

31. Institutions must ensure that deliverables are clear, specific and measurable to easily measure project outcomes and to ensure that institutions receive value for money.

32. Contracts with consultants must contain clearly defined roles and responsibilities of the institution and the consultant to enable effective project management and to facilitate oversight during the course of the project.

33. There should be a proper contract management and oversight process to prevent differences between the approved bid prices and the signed contract amounts. If changes in the scope of a project necessitate a change in the contract, it should be properly motivated, documented and approved at the relevant level.

34. Contracts and payments should be monitored properly to ensure that the work done meets the contractual deliverables. This includes monitoring compliance with service level agreements, detailed payment advices and supporting evidence.

**PART D: ASSESSMENT FOR DEVELOPMENT OF A GAP ANALYSIS**

35. Below is an assessment/checklist for development of a gap analysis

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTION</th>
<th>RESPONSE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Did the institution analyse the cost-effectiveness of permanent capacity versus making use of consultants, while ensuring continuity and service delivery?</td>
<td>[ ] YES</td>
<td>[ ] NO</td>
</tr>
<tr>
<td>NO</td>
<td>QUESTION</td>
<td>RESPONSE</td>
<td>COMMENTS</td>
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<td>2</td>
<td>Did the institution analyse the nature and extent of services to be outsourced and whether they were specialised, once-off, temporary services, or services that were of a non-specialised nature?</td>
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<td>3</td>
<td>Was consideration given to whether the objectives of the institution would be better achieved through the appointment of consultants or permanent staff?</td>
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<td>4</td>
<td>Does the skill and experience exist in the institution for the required task?</td>
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<tr>
<td>5</td>
<td>How often does the institution use the skills required for the tasks performed by external capacity (consultants)?</td>
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<td>6</td>
<td>Was there lack of permanently appointed staff with necessary skills and experience in the institution, which necessitated the appointment of consultants as a compensating measure?</td>
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<td>7</td>
<td>Has the institution considered filling the vacant position and has the institution considered hiring a person on a permanent appointment to perform the required task?</td>
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<td>8</td>
<td>Are internal processes to appoint permanent staff inefficient and ineffective?</td>
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<td>9</td>
<td>Are consultants appointed to monitor work of other consultants or to complete specifications for tenders for which they did not tender?</td>
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<tr>
<td>NO</td>
<td>QUESTION</td>
<td>RESPONSE</td>
<td>COMMENTS</td>
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<td>10</td>
<td>Were competitive and transparent appointment processes followed?</td>
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<td>11</td>
<td>Was proper contract administration provided for setting proper milestones, performance targets, monitoring systems and roles and responsibilities?</td>
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<td>12</td>
<td>Was transfer of skills included in the consultant's contract?</td>
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<td>13</td>
<td>Were penalty clauses included in the contract of the consultants and were they applied?</td>
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<td>14</td>
<td>Was there a limit to the consultant’s budget?</td>
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<td>15</td>
<td>Were consultants employed in high or critical positions such as CFO position?</td>
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<tr>
<td>16</td>
<td>Is the work of consultants formally reviewed by the relevant staff (middle management and senior management) involved with the subject matter?</td>
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<tr>
<td>17</td>
<td>Was the actual work performed by consultants matched with the contractual requirements?</td>
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<td>18</td>
<td>Do institutions have measures in place to avoid contracts being prolonged or varied above 15% of the contract value?</td>
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<tr>
<td>19</td>
<td>Did institutions close the consultant's project properly to ensure that all the deliverables were met, implemented and properly filed?</td>
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</table>
PART E: DEVELOPMENT OF A BUSINESS CASE
36. In this section, the institution should provide a concise overview of the type of services which are required and why a proposal/motivation for appointment of consultants should be supported. The proposal/motivation should address the following:

BACKGROUND INFORMATION
37. How the appointment of consultants came about?
38. What other options were considered in appointing the consultants, i.e. review of internal capacity?

STRATEGIC ALIGNMENT
39. Does the proposal/motivation to appoint consultants support an approved priority of the institution expressed in the operational plan?
40. What does the institution want to achieve by appointing consultants?

CONSULTANTS OBJECTIVES
41. List in a point format the specific objectives for appointment of the consultant.

REASONS FOR THE APPOINTMENT OF THE CONSULTANT
42. Provide a brief explanation as to why the appointment of consultants has been identified.

IMPACT IF THE APPOINTMENTS OF CONSULTANTS IS NOT APPROVED
43. What will be the consequences if the activity needed is not approved?

EXPECTED OUTPUTS
44. What are the services that will be provided by the consultants?

PERFORMANCE MEASUREMENT
45. How will the performance of the consultant be measured? What will the institution do to ensure that consultants deliver on the project?
46. The performance contract of consultants should ensure that performance is delivered to avoid the consequences of:
Guideline on Cost Containment Measures
National Treasury Instruction 01 of 2013/2014

(a) Services being delayed;
(b) Timeframes being extended;
(c) Outlays are advanced or increased;
(d) Output quality is reduced, and/or
(e) Additional costs are incurred.

47. State the conclusions you have drawn from the above analysis.

**LINK TO THE GAP ANALYSIS**

48. The aim of a gap analysis is to identify whether there is demand for the output in the institution. It aims to establish whether the institution needs the use of consultants. The aim of the analysis is to also prove that there is a demand for a particular project you are proposing to deliver.

49. Provide a clear overview of the method used to analyse the gaps and need for the appointment of consultants and the conclusions that have been drawn to support the gap analysis.

50. Explain the conclusions you have drawn from the gap analysis in support of the appointment of consultants.

**PART F: LIST OF OTHER PROFESSIONAL BODIES**

51. To provide institutions with a list of other professional bodies that can be used for the remuneration rates of consultants as contained in paragraph 4.2 (c) of the National Treasury Instruction 01 of 2013/2014.

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<tr>
<th>PROFESSION</th>
<th>SOURCE</th>
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THE TARIFF OF PROFESSIONAL FEES - The SA Council for the QS Profession
## Guideline on Cost Containment Measures
### National Treasury Instruction 01 of 2013/2014

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<th>Field</th>
<th>Description and Source</th>
<th>Reference Links</th>
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</table>
## Guideline on Cost Containment Measures

National Treasury Instruction 01 of 2013/2014

### PART G: FREQUENTLY ASKED QUESTIONS

**Application of Treasury Instruction No. 1 of 2013/2014**

<table>
<thead>
<tr>
<th>Question 1</th>
<th>Response 1</th>
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</table>
| Does National Treasury Instruction 01 of 2013/2014 apply to Executive Members? | Paragraph 1.2 of the National Treasury Instruction states that “the cost containment measures related to executive authorities will be prescribed in the revised Ministerial Handbook.”  

*The Treasury Instruction is therefore not applicable to Executive Authorities.* |

<table>
<thead>
<tr>
<th>Question 2</th>
<th>Response 2</th>
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</table>
| Does the National Treasury Instruction also apply to members of the Private Office in support of Executive Members appointed in terms of section 1.1.1 and 1.1.2 of the Handbook for Members of the Executive and Presiding Officers | Paragraph 3.3 of the Ministerial Handbook indicates that, “all expenses incurred by members of staff in the Private Office of Members, in the course of official duty, are borne by the relevant Department.”  

This clarifies that, any expenditure related and incurred by the department on travel, accommodation and other subsistence of employees appointed in line with section 1.1.1 and 1.1.2 of the Handbook for Members of the Executive and Presiding Officers will be subject to the National Treasury Instruction 01 of 2013/2014.  

In addition, the Handbook for members of the Executive and Presiding Officers is a document approved by Cabinet and does not supersede the provisions of the binding instruments issued in terms of the Public Finance Management Act, its regulations and instructions (issued in terms of section 76 of the PFMA).* |
# Guideline on Cost Containment Measures

## National Treasury Instruction 01 of 2013/2014

<table>
<thead>
<tr>
<th>Question 3</th>
<th>Response 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which public sector institutions must comply with the provisions of the National Treasury Instruction 01 of 2013/2014?</td>
<td>The Treasury Instruction applies to departments; constitutional institutions; and public entities listed in Schedules 2 and 3 to the PFMA.</td>
</tr>
</tbody>
</table>

### Effective date of National Treasury Instruction 01 of 2013/2014

<table>
<thead>
<tr>
<th>Question 4</th>
<th>Response 4</th>
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<tbody>
<tr>
<td>On which date does National Treasury Instruction 01 of 2013/2014 take effect?</td>
<td>Paragraph 8 of the National Treasury Instruction 01 of 2013/2014 states that “with the exception of paragraph 4.27, all paragraphs in the Treasury Instruction take effect from 01 January 2014.” Paragraph 4.27 of the National Treasury Instruction, which took effect from 15 November 2013, states that “Departments, constitutional institutions and public entities may only operate debit and credit cards in accordance with arrangements set out in the Government Gazette No. 37042 dated 15 November 2013.”</td>
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<thead>
<tr>
<th>Question 5</th>
<th>Response 5</th>
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<tbody>
<tr>
<td>If a travel approval was obtained prior to 01 January 2014, will such an approval be subject to the content of the National Treasury Instruction?</td>
<td>Any approval obtained prior to the National Treasury Instruction taking effect shall not be affected by the contents of National Treasury Instruction 01 of 2013/2014 even if delivery is planned to take place after the effect date (01 January 2014).</td>
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### Travel and subsistence

<table>
<thead>
<tr>
<th>Question 6</th>
<th>Response 6</th>
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<tbody>
<tr>
<td>What is the cost of domestic accommodation for Executive Authorities?</td>
<td>The National Treasury Instruction does not regulate accommodation arrangements for executive authorities. Paragraph 1.2 of the Treasury Instruction states that cost containment measures related to executive authorities will be prescribed in the revised Ministerial Handbook.</td>
</tr>
</tbody>
</table>
**Question 7**

Do consultants’ fees include costs related to travel and subsistence?

**Response 7**

Paragraph 4.3 of the National Treasury Instruction provides for the following in relation to travel and subsistence costs of consultants:

(a) Hotel accommodation may not exceed R1300 per person per night;
(b) Travel by air must only be limited to economy class; and
(c) Claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa.

Institutions should ensure that when consultants are appointed on a time and cost basis, both the institution and the consultant agree on an overall ceiling figure prior to the contract being concluded indicating whether the total price will be inclusive of consultants travel and subsistence cost or not. This arrangement will also be based on policies of the institution.

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**Question 8**

Is R1300 fee for the domestic accommodation inclusive of the tourism levy or not?

**Response 8**

The accommodation rate of R1300 per person per night includes value added tax but excludes:

(a) Travel agency fees;
(b) Commission fees;
(c) Tourism levy; or
(d) Other fees related to booking of accommodation.
### Question 9
Does paragraph 4.15 (dealing with accommodation costs) of the National Treasury Instruction apply to the accounting authority if the accounting authority consists members of a board?

**Response 9**
Paragraph 4.15 (dealing with accommodation cost) of the National Treasury Instruction applies to all employees of the public entity including the accounting authority (members of the board).

### Question 10
Does paragraph 4.17 (dealing with hiring of vehicles) of the National Treasury Instruction apply to all travels including international travel?

**Response 10**
The vehicle category prescribed in paragraph 4.17 of the National Treasury Instruction applies only to domestic travels.

### Question 11
Does the accommodation cost of R1300 per person per night apply to international accommodation as well?

**Response 11**
Paragraph 4.15 of the National Treasury Instruction only makes reference to domestic accommodation (meaning accommodation within South Africa).

### Question 12
Does paragraph 4.18 of the National Treasury Instruction dealing with the hiring of Group B vehicles apply to the hiring of a different class of a vehicle for people endorsed by the law to drive an automatic vehicle?

**Response 12**
Paragraph 4.18 of the National Treasury Instruction provides that, where a different class of vehicle is required for a particular terrain or to cater for the special needs of an employee, such a vehicle may only be hired with the prior written approval of the accounting officer, in the case of departments and constitutional institutions, or by the accounting authority or another appropriate authority, in the case of a public entity.

In line with the above provision, a person endorsed by the law to drive an automatic vehicle and holding a “South African Automatic Driver’s License” will be considered as a person having a special need and such a person may obtain a standing approval from the accounting officer or accounting authority.
Expenses related to catering and events

<table>
<thead>
<tr>
<th>Question 13</th>
<th>Response 13</th>
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<tbody>
<tr>
<td>Does paragraph 4.23 apply to catering for training sessions?</td>
<td>Paragraph 4.23 of the National Treasury Instruction does not apply to the training of officials.</td>
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<thead>
<tr>
<th>Question 14</th>
<th>Response 14</th>
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<tbody>
<tr>
<td>If a meeting consists of out-of-town officials can refreshments be provided for such a meeting?</td>
<td>Yes, refreshments may be supplied to out-of-town officials provided that the duration of such meetings exceeds 5 hours.</td>
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<thead>
<tr>
<th>Question 15</th>
<th>Response 15</th>
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<tbody>
<tr>
<td>Should a department host a training event over 2 full days for employees, can the department cater (provide refreshments) for such employees?</td>
<td>Catering for meetings referred to in paragraph 4.23 of the National Treasury Instruction 01 of 2013/2014 does not fall within the following categories: (a) Workshops; (b) Training; (c) information sessions; (d) forums; (e) Conferences and etc.</td>
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<tr>
<th>Question 16</th>
<th>Response 16</th>
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<tbody>
<tr>
<td>Are institutions permitted to host farewell functions for officials leaving the institution?</td>
<td>Paragraph 4.26 of the National Treasury Instruction indicates that the accounting officer/authority must ensure that social functions are not funded from the budget of the entity. This means that farewell functions will fall within the categories of those events listed in paragraph 4.26 of the Treasury Instruction.</td>
</tr>
</tbody>
</table>
## Question 17

**Can institutions hold social functions to uplift the moral of its employees?**

**Response 17**

Paragraph 4.26 of the National Treasury Instruction requires the accounting officer or accounting authority to ensure that social functions, team building exercises including year-end functions, are not financed from the budgets of their respective establishments or by any suppliers or sponsors.

The emphasis in the abovementioned provision is on precluding the department, constitutional institution or public entity from hosting any event that has a social, recreational or entertainment aspect from being financed from its budget. This provision does not preclude institutional or divisional planning sessions but prohibits expenses related to social, recreational or entertainment events being financed from the budget of the institution.

## Additional guidelines on cost containment measure

### Question 18

**Are provisions of Annexure A: additional guidelines on cost containment measures mandatory and enforceable?**

**Response 18**

Guidelines contained in Annexure A of the Cost Containment National Treasury Instruction 01 of 2013/2014 are not mandatory; however, the accounting officer/accounting authority may select which measures will be implemented by their institutions in the quest to contain non-essential expenditure. If the accounting officer/accounting authority agrees to adopt such additional cost containment measures based on its operations, then a policy outlining steps to be followed to comply with such provisions must be included in the policies and procedures of the department, constitutional institution and a public entity.
PART H: CONTACT INFORMATION
Enquires related to the guideline may be directed to:

Mr Jayce Nair

Chief Director: Governance Monitoring and Compliance

Phone: 012 315 5482 or

Central email address: OagQueries@treasury.gov.za
ANNEXURE A: CONSULTANTS REDUCTION PLAN (EXAMPLE)

A template on consultants reduction plan is contained in the attached excel spread sheet.