



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Guidelines on the preparation of Quarterly Reports for Public Entities and Constitutional Institutions

May 2015

CONTENTS

1. INTRODUCTION	1
2. BACKGROUND	2
2.1 Current requirements for reporting	2
2.2 Challenges under the current reporting system	2
3. QUARTERLY REPORTING	3
3.1 Database	3
3.2 Programme/objective/activity information	3
3.3 Performance indicators and targets	4
3.4 Borrowings and guarantees	4
3.5 Capital investment projects report	5
3.6 Risk management	5
3.7 Job creation	5
3.8 Financial Commitments	5
3.9 NARRATIVE INFORMATION REQUIRED FOR SELECTED PUBLIC ENTITIES ...	6
3.9.1 Board composition	6
3.9.2 Fraud prevention	6
3.9.3 Significance transactions	6
4. REPORTING TIMELINES	7
4.1 Water Boards	7
ANNEXURE 1: ADMINISTRATION PROGRAMME CONTENT	8

1. INTRODUCTION

Public entities are required to report on a quarterly basis to their Executive Authority. Treasury Regulation 5.3.1 requires *the accounting officer of a constitutional institution to establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action*. Treasury Regulations 29.3.1 and 30.2.1 state that *the accounting authority of a public entity must establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action*.

These guidelines are aimed at improving transparency and enhancing oversight over the financial and non-financial performance of constitutional institutions and public entities. This requires public entities to provide quarterly reports not only to their Executive Authorities but also to departments at the centre of government. The guidelines provide details on the nature and timing for submission of quarterly reports by constitutional institutions and public entities listed in Schedules 2, 3A and 3B of the Public Finance Management Act (PFMA), 1999. National Treasury Instruction note no.2 of 2014/15 introduces a consistent approach to quarterly reporting.

A uniform system of collecting, storing, consolidating and analysing in-year financial and non-financial information is essential to efficient public financial management. The quarterly reporting system will be utilised by all relevant business units within the National Treasury, the South African Reserve Bank and Statistics South Africa. Further, the quarterly reporting process will reduce the reporting burden on public entities and constitutional institutions by providing a single reporting template that can cater for the information requirements of the National Treasury, the South African Reserve Bank and Statistics South Africa. The Department of Planning, Monitoring and Evaluation may also require non-financial information from public entities.

Section 38(1)(b) of the PFMA states that Accounting Officers of constitutional institutions are responsible for ensuring the effective, efficient, economical and transparent use of the resources in the institution. Section 51(1)(f) of the PFMA states that Accounting Authorities of public entities are responsible for the submission of all reports, returns, notices and other information to Parliament or the relevant provincial legislature and to the relevant Executive Authority or the National Treasury as may be required by the Act. Quarterly

reporting will enable institutions¹ to review progress towards the achievement of financial and non-financial performance on a regular basis in a particular financial year.

2. BACKGROUND

2.1 Current requirements for reporting

The reporting requirements of Accounting Officers of constitutional institutions, and Accounting Authorities of public entities are provided in section 40(1)(f) and 51(1)(f) of the PFMA, respectively. This includes reporting on financial affairs and any other information as may be required by the PFMA. Treasury Regulation 25.1.3 requires public entities to submit all information required by National Treasury in terms of the PFMA and the Treasury Regulations.

2.2 Challenges under the current reporting system

Existing databases available to the National Treasury on public entities and constitutional institutions include budget information, annual financial statements, and performance information to a limited extent. This information is only reported on during the budget period and reflected in the Estimates of National Expenditure. Although there are various systems in place to source more information from different public entities and constitutional institutions, such as, borrowings, guarantees, and capital investment projects, these are fragmented as there is no established formal process for in-year reporting on both financial and non-financial information. This leaves a gap in terms of periodic monitoring and thorough analysis of these institutions to track performance, and to inform policy and budget decisions. On the other hand, the South African Reserve Bank has a separate system to collect information from selected public entities, which is also used by Statistics South Africa.

¹ 'Institutions' refers to constitutional institutions or public entities.

3. QUARTERLY REPORTING

Reporting on both financial and non-financial performance is important in measuring the performance of government institutions. While financial information (expenditure and revenue) is critical for determining the costs and efficiencies of programmes/objectives/activities, non-financial information is equally important for assessing progress towards predetermined service delivery or performance targets.

Treasury Regulations 29.1.3(b) and 29.1.6(a)-(j) require public entities to report on their borrowing programme on a quarterly basis. The National Treasury also specifically requires public entities to report on guarantees issued on a quarterly basis, including those related to foreign loans in order to comply with International Monetary Fund (IMF) requirements. It is also essential to monitor a public entity's progress of the implementation of their Infrastructure Investment Plan and any other major projects. In-year monitoring reports also serve as an oversight tool to Executive Authorities and as a management tool to institutions.

3.1 Database

In order for public entities and constitutional institutions to report on similar core aspects of financial and non-financial performance to the Executive Authority and to National Treasury, a comprehensive reporting format has been developed and must be used to compile quarterly reports. Data required from institutions in the Microsoft[®] Excel reporting format reflects financial, and non-financial performance, information on capital expenditure, borrowings, job creation, financial commitments and risk, as well as personnel information. The template is customised by type of entity to enable various entities to complete applicable information. Subsequent to the discussions with public entities and their Executive Authority oversight units the National Treasury has incorporated the automated trial balance which will enable stakeholders to capture data easily.

3.2 Programme/objective/activity information

Each institution should have programmes/objectives/activities and "Administration" should be one of them. The Administration programme should be confined to support services delivered for the institution as a whole which are not specific to programmes, activities or objectives. The Administration programme should include costs of overhead functions that apply to the institution as a whole; it should not include functions involving service delivery

to the public or enabling functions performed in respect of other programmes/objectives/activities. Details of what should be included in the Administration programme are provided in **Annexure 1**.

3.3 Performance indicators and targets

Performance indicators and targets are identified and included in institution's Annual Performance Plans or Corporate Plans, to track on-going performance. Quarterly monitoring of these performance indicators is an important element of the planning and budgeting process. Reporting on performance indicators on a quarterly basis provides progress on the implementation of the institution's plans with particular reference to monitoring delivery against the specific quarterly performance targets set. Quarterly performance reporting is an important management tool for the Accounting Officer, Accounting Authority and Executive Authority.

Performance indicators and targets should be set relating to the budget year and the Medium Term Expenditure Framework (MTEF) period in respect of strategic objectives and programmes/objectives/activities contained in the Annual Performance Plan or Corporate Plan. Institutions should consult the Framework for Managing Programme Performance Information (FMPPPI) and the Framework for Strategic Plans and Annual Performance Plans for guidance on the management of each indicator, the method of collecting data to report on the indicators, as well as for guidance in respect of calculating, analysing and for interpreting the performance data collected.

Quantitative and qualitative indicators and targets must reflect trends and progress between quarters. Indicators must be specific measurements that track progress towards achieving the goals of an institution. Indicators may reflect inputs, activities, outputs, outcomes, or in certain instances, explanatory information about the factors that could affect performance. There are separate sheets for qualitative and quantitative performance information.

3.4 Borrowings and guarantees

Relevant public entities identified by the National Treasury should provide information on their borrowing programme, reflecting actual borrowings for that quarter and projected borrowings for future quarters. Updates on the debt maturity profile and the borrowing programme should also be reported on. The borrowing programme must include the terms

and conditions on which the money is borrowed, information on proposed domestic and foreign borrowing, short and long-term borrowing requirements, borrowing in relation to a pre-approved corporate plan, the maturity profile of the debt, confirmation of compliance with existing and proposed loan covenants, and the debts guaranteed by government. Motivations for government guarantees, and the Executive Authority's approval of the borrowing programme, if required by the legislation in terms of which the public entity was established, should be submitted. Public entities issued with government guarantees should report on compliance with the guarantee conditions as set out in the guarantee agreements.

Information on borrowings and guarantees should be submitted through the Microsoft® Excel template and in a written report.

3.5 Capital investment projects report

Progress on the implementation of the Infrastructure Investment Plan, as reflected in the Corporate Plan, or any major project not reflected in the Corporate Plan of an institution should be reported. The template provides for progress reporting from project inception to project completion.

3.6 Risk management

Top enterprise risks and any other new risks identified during the quarter that may impact on the achievement of the public entity's strategic objectives should be included in the template.

3.7 Job creation

Jobs created through infrastructure investment projects should be reported on. This includes direct and indirect jobs, as well as permanent and temporary jobs.

3.8 Financial Commitments

An additional sheet has been added where all contractual commitments should be captured. This enables the tracking of institutional financial obligations.

3.9 NARRATIVE INFORMATION REQUIRED FOR SELECTED PUBLIC ENTITIES²

3.9.1 Board composition

Any change to the Board/Board Committee composition or executive management should be reported on. A brief reason for the departure should be furnished. Where a vacancy is not yet filled, an update on the progress in the appointment process should be provided.

3.9.2 Fraud prevention

Fraud and corruption investigations in progress, as well as the outcome of completed investigations should be reported on, including the actions taken against perpetrators. Details of irregular and fruitless and wasteful expenditure should also be disclosed.

3.9.3 Significance transactions

The entity must report quarterly on transactions pertaining to Sections 54(2) and 51(1)(g) of the PFMA. Sections 54(2) transactions require executive authority approval. Section 51(1)(g) requires approval from the Minister of Finance for the establishment of a subsidiary.

² Applicable to schedule 2 and 3b entities

4. REPORTING TIMELINES

All quarterly information must be signed off by the Accounting Officer or Accounting Authority of the institution and submitted in the format required, to the Executive Authority and to the National Treasury within 30 days after the end of each quarter. Reported numbers are preliminary and may change as more accurate information becomes available in subsequent quarters. In the event that the submission date falls on a non-working day, the quarterly report should be submitted on the first working day following the submission date. The due dates for submission are as follows:

Quarter	Due date for submission
Q1: Quarter ending 30 June	31 July
Q2: Quarter ending 30 September	30 October
Q3: Quarter ending 31 December	31 January
Q4: Quarter ending 31 March	30 April

4.1 Water Boards

Water boards are located in municipalities with a financial year from 01 July to 30 June. As such, the submission dates for water boards has a 3 months lag.

Quarter	Due date for submission
Q1: Quarter ending 30 September	30 October
Q2: Quarter ending 31 December	31 January
Q3: Quarter ending 31 March	30 April
Q4: Quarter ending 30 June	31 July

ANNEXURE 1: ADMINISTRATION PROGRAMME CONTENT

The Administration programme should include the following³:

- *Institutional Management*: includes all allocable support expenses of the Accounting Officer/ Authority, including the board of directors. For example salaries, direct office support costs, travel expenses and expenses in respect of their staff, costs of advisory staff as well as residential and car allowance(s). It also includes the costs of the programme manager of the Administration programme/ support services function. **NB:** The salary, allowances and other support costs of other managers for other programmes/ projects should be assigned to the programme or subprogramme/ projects where they are located.
- *Corporate Services*: includes Human Resources, Legal Services, Communications, Information Technology and Other support services (based on the entity's decision).
- *Finance Administration*: includes management of the Office of the Chief Financial Officer, recognising that the reporting channel of the Chief Financial Officer may not be through the programme manager of the Administration programme.
- *Internal Audit*: recognising that the reporting channel for the Head of Internal Audit is not through the programme manager of the Administration programme.
- *Office Accommodation*: includes activities and costs relating to the provision of office accommodation functions for the entity. Where office accommodation functions relating to other specific programmes/projects of the institution can be identified, they should be assigned to the relevant programme.

³ Source: *Guidelines on Budget Programmes (National Treasury. 2010.)* Content has been amended to suit public entities and constitutional institutions