national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Guideline on prohibition of payments via the internet: National Treasury Instruction 01 of 2014/2015

OFFICE OF THE ACCOUNTANT-GENERAL

November 2014

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PART A: BACKGROUND

1. On 10 June 2014 the National Treasury issued an Instruction to prohibit payments via the internet due to the risks associated with such transactions.

2. Provinces used internet payments for:
   2.1 Payments in excess of R 1 million; and
   2.2 Any urgent payments.

3. Due to a number of internal control transgressions and resultant losses, National Treasury issued Instruction 01 of 2014/2015 on prohibition of payments via the internet.

PART B: MOTIVATION

4. The PFMA read with the Treasury Regulation 3.2.1 requires a risk assessment to be done to identify emerging risks of the institution together with a fraud prevention plan.
5. When an electronic fund transfer payment is made the risk is managed pro-actively that nobody can alter the file or the payment with the bank? However when it gets to internet payments then the risk is no longer pro-actively managed? As a matter of fact we are adding an additional risk.
6. It should also be noted that with internet payments funds are moved immediately and in case of a fraudulent payment it is very difficult to recover the funds, if ever.

PART C: CONCLUSION

7. To minimise the risk for Bank Credit Transfer these payments must be automatically extracted from the financial system and a file created.

8. This file must be automatically uploaded to the respective banks, without any manual intervention.

9. Each Provincial Treasury can decide at what level the contents of the electronic file will be authorised i.e the Provincial department or the Provincial treasury. The Provincial Treasuries should in writing inform the National Treasury **and** the relevant bank.

10. For this internet access will be required by the Provincial departments/treasuries to the banks to authorize the payment ONLY. However **access to capture** any beneficiaries or payments **must not be allowed**.

11. Provinces going out on a tender, as a minimum, automatic upload of payments to the respective banks should be included.

12. Transfers from the Exchequer account to the PMG accounts should be pre-defined. The Commercial Banks should capture these pre-defined accounts as determined in section 21(3) of the PFMA. Therefore amounts can then be captured but no additional beneficiaries.

13. However the banks indicated that they need written approval from the National Treasury regarding the pre-defined accounts. Should this be required a letter must be submitted to this Office indicating the pre-defined accounts as per section 21(3) of the PFMA.

14. Should the banker for the pre-defined accounts as per section 21(3) of the PFMA changed a new approval should be obtained from this Office.

15. **AUTHORITY FOR THIS INSTRUCTION**

This *Guideline* is issued in terms of sections 76(4)(g) of the PFMA.

Enquires related to the *guideline* may be directed to:

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ACCOUNTANT–GENERAL

DATE: 10 DECEMBER 2014