



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **INTERGOVERNMENTAL RELATIONS**

# **CIRCULAR ON STANDARDISED APPROACH IN REPORTING PROVINCIAL INFRASTRUCTURE PROJECTS**

## **ANNEXURE A**

### **TO: ACCOUNTING OFFICERS OF PROVINCIAL DEPARTMENTS**

#### **1) PURPOSE**

The purpose of this circular is to present a standardised approach in reporting provincial government infrastructure projects by provincial departments on the Infrastructure Reporting Model (IRM), Basic Accounting System (BAS) and NT database. The uniformity in reporting provincial government infrastructure will enable better interpretation in the financial and non-financial performance reflected in the reporting systems and reporting models.

#### **2) PLANNING DOCUMENTS**

Provincial Departments are required to plan their projects ahead of time in order to minimise delays during the implementation stages. The IDMS principles should be considered in the planning, implementation and delivery cycle to encourage timeous completion of projects within the available budget. Planning documents are required from provincial departments in order to guide selection of projects to be implemented for the MTEF period. These include among others various infrastructure plans (User-Asset Management Plans, Road Asset Management Plans, Business Plans, Infrastructure Programme Management Plans, Project Proposals and Concept Reports).

##### **2.1 Infrastructure Plans (U-AMP, RAMP, Business Plans)**

The infrastructure plans should consist of project lists guided by national and provincial sector priorities. Various prescripts (Government Immovable Asset Management Act) and guidelines (Performance-Based System) are in place to assist provincial departments with the minimum requirements that should be considered in the preparation of these plans.

##### **2.2 Project proposal (Feasibility report)**

A project proposal must present sufficient information to determine whether or not the project should be implemented. This should include a strategic brief which defines project objectives, needs, acceptance criteria, client priorities and aspirations. This must also set out the basis for the development of the concept report for one or more packages.

##### **2.3 Concept report (Concept and viability)**

The concept report consists of the detailed brief, scope, scale, form, control budget, and sets out the integrated concept for one or more packages.

##### **2.4 IPMP (Project Implementation Plan)**

The IPMP or project implementation plan must consist of a 3 year project list which should include current commitments and accruals before any new projects can be proposed. New projects should be drawn from the U-AMP/RAMP/Business Plans and the proposed funding over the MTEF should be based on the estimated budget in the Division of Revenue Act (DoRA). Performance-based system guidelines are in place to assist provincial departments with the minimum requirements that should be considered in the preparation of these plans.

### **3) PRIORITISED PROJECT LIST / TABLE B5**

The IPMP project list needs to inform the MTEF project list that is captured in the National Treasury database. Projects that were not approved as part of the IPMP or 3 year prioritised list should not be tabled as these projects would not have passed the viability to determine readiness for implementation thereby likely resulting in implementation delays.

Projects currently in retention stages are regarded as committed projects until the release of retention fees, even if the facility is already occupied for operational use. These projects must form part of the list to be tabled as there were no final certificates issued to close off the projects.

#### **3.1 Clustering of projects**

Clustering is defined as the task of grouping a set of objects in such a way that objects in the same group (called a cluster) are more similar (in some sense or another) to each other than to those in other groups (clusters). The process of clustering must be aligned to the construction procurement strategy as aligned to the supply chain management. In most instances, the maintenance is clustered to allow the ease for management of the programme. The B5 format will be revised during the financial year to cater for clustering, and non-infrastructure items such as programme management fees and HR Capacitation. These revisions will reflect in the Budget Format Guidelines for 2017/18 financial year.

#### **3.2 Basic Accounting System (BAS)**

In order to improve the flow of financial data on infrastructure projects the BAS system and more specifically the project segment will be used to provide systematic reporting of infrastructure budgeting and expenditure.

The project segment identifies and classifies information relating to a specific project (or a collection of tasks). This segment is important in infrastructure as it assists departments to monitor the spending on capital and current projects that are unique to the department.

The project segment allows departments to identify their own unique projects, allowing for the allocation of all payment items to projects. This would make it possible to:-

- monitor the cost of both current and capital projects
- capture tabled prioritised project lists which must be aligned to IRM
- link individual projects to the appropriate reporting categories in the infrastructure, asset and item segments.
- capture financial transactions using the items provided in the standardised project segment.

**Table 1: Sector example on type of infrastructure per sector**

| 1 | 2 | 3 | 4 | 5 | SEGMENT DETAIL<br>NO | P/NP<br>LEVE | BREAKDOWN<br>ALLOWED |
|---|---|---|---|---|----------------------|--------------|----------------------|
|   |   |   |   |   | 1999                 | N            | N                    |
|   |   |   |   |   | 3999                 | N            | Y                    |
|   |   |   |   |   | 9999                 | N            | Y                    |
|   |   |   |   |   | 10999                | N            | N                    |
|   |   |   |   |   | 12999                | N            | N                    |
|   |   |   |   |   | 189999               | N            | N                    |
|   |   |   |   |   | 303999               | N            | Y                    |
|   |   |   |   |   | 304999               | N            | Y                    |
|   |   |   |   |   | 305999               | N            | Y                    |
|   |   |   |   |   | 306999               | N            | Y                    |
|   |   |   |   |   | 307999               | N            | Y                    |
|   |   |   |   |   | 308999               | N            | Y                    |
|   |   |   |   |   | 190999               | N            | N                    |
|   |   |   |   |   | 311999               | N            | Y                    |
|   |   |   |   |   | 312999               | N            | Y                    |
|   |   |   |   |   | 313999               | N            | Y                    |
|   |   |   |   |   | 314999               | N            | Y                    |
|   |   |   |   |   | 315999               | N            | Y                    |
|   |   |   |   |   | 316999               | N            | Y                    |
|   |   |   |   |   | 191999               | N            | N                    |
|   |   |   |   |   | 317999               | N            | Y                    |
|   |   |   |   |   | 318999               | N            | Y                    |
|   |   |   |   |   | 319999               | N            | Y                    |
|   |   |   |   |   | 283999               | N            | Y                    |
|   |   |   |   |   | 192999               | N            | Y                    |
|   |   |   |   |   | 290999               | N            | Y                    |
|   |   |   |   |   | 291999               | N            | Y                    |
|   |   |   |   |   | 293999               | N            | Y                    |
|   |   |   |   |   | 294999               | N            | Y                    |
|   |   |   |   |   | 295999               | N            | Y                    |
|   |   |   |   |   | 296999               | N            | Y                    |
|   |   |   |   |   | 302999               | N            | Y                    |
|   |   |   |   |   | 193999               | N            | N                    |
|   |   |   |   |   | 271999               | N            | Y                    |
|   |   |   |   |   | 272999               | N            | Y                    |
|   |   |   |   |   | 273999               | N            | Y                    |
|   |   |   |   |   | 256999               | N            | Y                    |
|   |   |   |   |   | 258999               | N            | Y                    |
|   |   |   |   |   | 259999               | N            | Y                    |
|   |   |   |   |   | 260999               | N            | Y                    |
|   |   |   |   |   | 194999               | N            | N                    |
|   |   |   |   |   | 237999               | N            | Y                    |
|   |   |   |   |   | 238999               | N            | Y                    |
|   |   |   |   |   | 239999               | N            | Y                    |
|   |   |   |   |   | 240999               | N            | Y                    |
|   |   |   |   |   | 241999               | N            | Y                    |
|   |   |   |   |   | 242999               | N            | Y                    |
|   |   |   |   |   | 195999               | N            | N                    |
|   |   |   |   |   | 230999               | N            | Y                    |
|   |   |   |   |   | 231999               | N            | Y                    |
|   |   |   |   |   | 232999               | N            | Y                    |
|   |   |   |   |   | 233999               | N            | Y                    |
|   |   |   |   |   | 234999               | N            | Y                    |
|   |   |   |   |   | 235999               | N            | Y                    |
|   |   |   |   |   | 236999               | N            | Y                    |
|   |   |   |   |   | 196999               | N            | N                    |
|   |   |   |   |   | 229999               | N            | Y                    |
|   |   |   |   |   | 223999               | N            | Y                    |
|   |   |   |   |   | 224999               | N            | Y                    |
|   |   |   |   |   | 225999               | N            | Y                    |
|   |   |   |   |   | 226999               | N            | Y                    |
|   |   |   |   |   | 227999               | N            | Y                    |
|   |   |   |   |   | 228999               | N            | Y                    |
|   |   |   |   |   | 197999               | N            | N                    |
|   |   |   |   |   | 209999               | N            | Y                    |
|   |   |   |   |   | 210999               | N            | Y                    |
|   |   |   |   |   | 211999               | N            | Y                    |
|   |   |   |   |   | 212999               | N            | Y                    |
|   |   |   |   |   | 213999               | N            | Y                    |
|   |   |   |   |   | 214999               | N            | Y                    |
|   |   |   |   |   | 215999               | N            | Y                    |
|   |   |   |   |   | 216999               | N            | Y                    |
|   |   |   |   |   | 5999                 | N            | Y                    |
|   |   |   |   |   | 2999                 | N            | N                    |
|   |   |   |   |   | 4999                 | Y            | N                    |
|   |   |   |   |   | 7999                 | Y            | N                    |

Upon tabling, the project list should be made public within seven days thereafter. Any amendments to the tabled list must be made after consultation with the provincial treasury and the national transferring officer. The amendments to the list must be tabled with the adjusted estimates of provincial expenditure.



#### **4) Infrastructure Reporting Model**

##### ***Capturing of projects***

The infrastructure reporting model is a monitoring and reporting tool used by provincial department to report on their infrastructure projects as required by the division of revenue act. Departments need to capture the entire MTEF tabled project list and must not limit capturing to projects that have an approved funding for the current financial year. The tool also allows for projects to be transferred from one financial year to another without re-capturing the projects.

The only projects that will not be transferred from one year to another are those that are on final completion and terminated stages. The projects that have not been completed need to form part of the list to be tabled including projects on practical completion/ retention stage. The tabled MTEF project list must be captured in the IRM at the beginning of each financial year. The departments must ensure that all IRM fields have been populated with project related information. This includes projected monthly expenditure for each project that is planned for implementation in the current financial year. Upon concluding the capturing process; the projected monthly expenditure will be locked until the end of the financial year to allow departments to measure performance against their initial projections. An additional section will be created in the IRM to cater for re-projections in year.

##### ***Additions and deleting***

The process for adding and deletion of projects is as follows:

- The provincial department must request the Head of the Provincial Treasury to support motivations to add or delete identified projects in-year.
- In the event that the request is recommended, the HOD of the Provincial Treasury must submit written motivation to the DDG: IGR (NT), to request approval to add or delete identified projects in-year.
- National Treasury will engage with the relevant national sector department on the request to solicit inputs prior approval.
- In the event that the request is approved, National Treasury will add or delete the identified projects in the IRM.
- The province must effect the in-year changes during the adjustment budget.
- The process to be applied for emergency projects must be in line with section 25 of the PFMA before they can be captured in the IRM.
- The disaster projects need to follow the disaster processes in term of the Disaster Management Act before they can also be captured in the IRM.

##### ***Reporting***

Reporting requirements are outlined in section 13 of the Division of Revenue Act. Provincial departments are required to submit to the relevant provincial treasury and transferring officer, a draft report on infrastructure programmes partially or fully funded from those grants within 15 days after the end of each month, in the format determined by the National Treasury. The IRM is the format prescribed to report provincial government infrastructure.

The transferring officer and provincial treasury are required to analyse the data and engage the provincial departments on any anomalies that may be visible, prior the submitting the final report. A final report on infrastructure programmes partially or fully funded from those

grants must be submitted within 22 days after the end of each month, to the National Treasury. The IRM will lock after the 22<sup>nd</sup> day for the month and no further updates can be made thereafter. In instances where departments have not submitted the final report, the IRM will generate the reports for National Treasury and this will be deemed as non-compliance.

A signed copy of the report must be submitted within 29 days after the end of each month, to the relevant provincial treasury, the transferring officer and the National Treasury.

### ***Publishing***

During the 2016/17 financial year, provincial government infrastructure financial and non-financial performance will be published. The source of information to be used will be the IRM.

## **5) End of the year report**

The Division of Revenue Act requires departments to evaluate the financial and non-financial performance of the province in respect of programmes partially or fully funded by the grant based on the infrastructure budget of the province; and within two months after the end of the 2016/17 financial year submission of the evaluation to the transferring officer, the relevant provincial treasury and the National Treasury. The source of information for this report is the IRM. The evaluation must also include projects that are funded from equitable share from all departments that are implementing infrastructure. The supporting template to populate the required information will be sent with the Guide on evaluation of Conditional Grant Programmes.

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