



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 01 OF 2013/2014: COST CONTAINMENT MEASURES

1. PURPOSE

- 1.1 The purpose of this *Treasury Instruction* is to prescribe cost containment measures for accounting officers of departments and constitutional institutions and accounting authorities of 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 related to executive authorities will be prescribed in the revised Ministerial Handbook.

2. BACKGROUND

- 2.1 Section 38(1)(b) of the PFMA makes accounting officers of departments and constitutional institutions responsible for the effective, efficient, economical and transparent use of their respective establishment's resources. Section 38(1)(c)(iii) and 51(b)(iii) of the PFMA requires accounting officers of departments and constitutional institutions and accounting authorities of public entities to take effective and appropriate steps to effectively and efficiently manage the available working capital of their respective institutions.
- 2.2 In light of paragraph 2.1 of this *Treasury Instruction*, it is necessary for accounting officers and accounting authorities to ensure that appropriate expenditure control measures are instituted to provide reasonable assurance that all expenditure in their respective institutions are necessary, appropriate, paid promptly, recorded adequately and reported accordingly in the relevant accountability instruments.
- 2.3 Given the economic problem of scarcity, it is imperative that resources be applied effectively and efficiently to achieve economic and social objectives. The global economic crisis has resulted in the contraction of many economies and in this regard, South Africa has also adopted measures to ensure fiscal prudence.
- 2.4 On 23 October 2013, Cabinet resolved that all departments, constitutional institutions and public entities must implement measures to contain operational costs and eliminate all non-essential expenditure.
- 2.5 In line with the resolutions of the abovementioned Cabinet meeting, accounting officers of departments and constitutional institutions and accounting authorities of public entities listed in Schedules 2 and 3 to the PFMA must, as a minimum, institute

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the measures outlined in paragraph 4 of this *Treasury Instruction* to further reign in operational expenditure of their respective establishments.

- 2.6 The enclosed Annexure A contains cost containment measures that accounting officers and accounting authorities may consider in the spirit of containing operational costs and eliminating non-essential expenditure.

3. ENFORCEMENT OF COST CONTAINMENT MEASURES

- 3.1 It is mandatory for accounting officers of departments and constitutional institutions and accounting authorities of public entities listed Schedules 2 and 3 to the PFMA to implement the cost containment measures referred to in paragraph 4 of this *Treasury Instruction*.

- 3.2 The measures referred to in Annexure A are guidelines that accounting officers and accounting authorities may consider in their quest to further contain costs.

4. COST CONTAINMENT MEASURES

Engagement of consultants

- 4.1 Departments, constitutional institutions and public entities may only contract in consultants after a gap analysis has confirmed that the department, constitutional institution or public entity concerned does not have the requisite skills or resources in its full time employ to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the accounting officer, in the case of departments and constitutional institutions, and by the accounting authority or another appropriate authority, in the case of a public entity.

- 4.2 Consultants may only be remunerated at the rates:
- (a) determined in the "Guideline for fees", issued by the South African Institute of Chartered Accountants (SAICA);
 - (b) set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA); or
 - (c) prescribed by the body regulating the profession of the consultant.

- 4.3 Hotel accommodation and related costs in respect of consultants may not exceed the amount prescribed in paragraph 4.15 of this *Treasury Instruction*, air travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa.

- 4.4 All contracts of consultants must include penalty clauses for poor performance and in this regard, accounting officers and accounting authorities must invoke such clauses where deemed necessary.

- 4.5 Accounting officers and accounting authorities must develop consultancy reduction plans by 31 March of each year for implementation in the ensuing financial year. The first consultancy reduction plan required in terms of this *Treasury Instruction* must be developed before 31 March 2014 for implementation in the 2014/2015 financial year.

Travel and Subsistence

- 4.6 Accounting officers of departments and constitutional institutions may only purchase economy class tickets for its employees where the flying time for their flights is for five (5) hours or less.

- 4.7 Notwithstanding the provisions of paragraph 4.6 of this *Treasury Instruction*, the purchase of business class tickets for flights that are less than five (5) hours shall be

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- limited to persons holding the ranks/positions of Directors-General or an equivalent rank (in departments), persons appointed on grounds of policy considerations in terms of section 12A of the Public Service Act, 1994 (i.e. advisors to executive authorities) and chief executive officers of constitutional institutions.
- 4.8 For flights exceeding five (5) hours, business class tickets may only be purchased for persons holding the ranks/positions of Directors-General and Deputy Directors-General or persons holding equivalent ranks (in departments), persons appointed on policy considerations in terms of section 12A of the Public Service Act, 1994, accounting officers of constitutional institutions and employees at the level of management that report directly to the accounting officer of a constitutional institution.
- 4.9 Notwithstanding the provisions of paragraphs 4.7 and 4.8 of this *Treasury Instruction*, the accounting officer may approve the purchase of business class tickets for employees with disabilities or for those with special needs.
- 4.10 Accounting authorities of public entities may only purchase economy class tickets for its employees where the flying time for their flights is for five (5) hours or less.
- 4.11 Notwithstanding the provisions of paragraph 4.10 of this *Treasury Instruction*, the purchase of business class tickets for flights that are less than five (5) hours is limited to members of the accounting authority, non-executive members serving on any of the public entity's governance committees (for example, members of the audit committee) and the chief executive officer or the other person in charge of the public entity.
- 4.12 For flights exceeding five (5) hours, business class tickets may only be purchased for members of the accounting authority, non-executive members serving on any of the public entity's governance committees, the chief executive officer or the other person in charge of the public entity and employees at the level of management that report directly to the chief executive officer or to the other person in charge of the public entity.
- 4.13 Notwithstanding the provisions of paragraphs 4.11 and 4.12 of this *Treasury Instruction*, the accounting authority may approve business class travel for employees with disabilities or for those with special needs.
- 4.14 The accounting officer of a department or constitutional institution and the accounting authority of a public entity may not, under any circumstances, purchase air tickets for first class travel.
- 4.15 Domestic hotel accommodation may not exceed one thousand three hundred rand (R1 300) per night per person (including dinner, breakfast and parking). The National Treasury may periodically review this amount.
- 4.16 Accounting officers and accounting authorities may only approve accommodation costs that exceed the amount prescribed in paragraph 4.15 of this *Treasury Instruction*:
- (a) during peak holiday periods; and
 - (b) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in the country or in that particular geographical area.
- 4.17 Employees of departments, constitutional institutions and public entities and persons appointed on grounds of policy considerations in terms of section 12A of the Public Service Act, 1994 may not hire vehicles from a category higher than Group B or an equivalent class.

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- 4.18 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.
- 4.19 The provisions contained in paragraphs 4.15, 4.16, 4.17 and 4.18 of this *Treasury Instruction* are also applicable to members of the accounting authority of a public entity and to non-executive members serving on any of the public entity's governance committees.
- 4.20 The number of employees travelling to Parliament on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by 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.
- 4.21 Similar to paragraph 4.20 of this *Treasury Instruction*, the number of employees of a department, constitutional institution or public entity travelling by air to other centres (for example to regional or district offices) to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by 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.
- 4.22 Paragraphs 4.20 and 4.21 of this *Treasury Instruction* do not apply to:
- (a) the accounting officer of a department or constitutional institution;
 - (b) Deputy Directors-General or persons holding equivalent ranks (in departments);
 - (c) persons appointed on grounds of policy considerations in terms of section 12A of the Public Service Act, 1994;
 - (d) employees at the level of management that report directly to the chief executive officer of a constitutional institution;
 - (e) members of the accounting authority of a public entity;
 - (f) non-executive members serving on any of the public entity's governance committees;
 - (g) the chief executive officer or the other person in charge of the public entity;
 - (h) employees at the level of management that report directly to the chief executive officer or to the other person in charge of the public entity; and
 - (i) employees performing Parliamentary duties other than those referred to in paragraph 4.20 of this *Treasury Instruction*.

Expenses related to catering and events

- 4.23 Departments, constitutional institutions and public entities may not incur catering expenses for internal meetings, i.e. for meetings attended only by persons in its employ, unless approved by 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.
- 4.24 Unless approved otherwise by the relevant accounting officer or accounting authority, entertainment allowances of qualifying persons may not exceed two thousand rand (R2000) per person per financial year. The National Treasury may periodically review this amount.
- 4.25 Departments, constitutional institutions and public entities may not incur expenses on alcoholic beverages except for instances where alcohol is to be served at functions relating to:
- (a) state banquets;
 - (b) the promotion of South Africa and any of its goods or services; or

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(c) the hosting of foreign dignitaries.

- 4.26 The accounting officer or accounting authority must ensure that team building exercises and social functions, including year-end functions, are not financed from the budgets of their respective establishments or by any suppliers or sponsors.

Arrangements related to debit and credit cards

- 4.27 Departments, constitutional institutions and public entities may only operate debit and credit cards in accordance with arrangements set out in Government Gazette No. 37042 dated 15 November 2013.

5. DEVIATIONS FROM THIS TREASURY INSTRUCTION

- 5.1 The contents of this *Treasury Instruction* has been finalised in consultation with the Minister's Committee on the Budget (MinComBud) and with Cabinet.
- 5.2 Requests for deviations from paragraphs contained in this *Treasury Instruction* may be considered in terms of section 79 of the PFMA.
- 5.3 All written requests for deviations must be forwarded to:

**The Director-General
National Treasury
Private Bag X115
PRETORIA
0001**

For attention: The Accountant-General

Written requests may also be e-mailed to oaqueries@treasury.gov.za

- 5.4 Any request for a deviation in terms of section 79 of the PFMA shall only be considered after The Presidency has been consulted on the request and has consented to the deviation.

6. GUIDELINES ON COST CONTAINMENT MEASURES

In addition to the cost containment measures prescribed in paragraph 4 of this *Treasury Instruction*, accounting officers and accounting authorities are urged to consider additional cost containment measures to enhance fiscal prudence in their respective establishments. Examples of such measures are contained in guidelines enclosed as **Annexure A**.

7. APPLICABILITY

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

8. EFFECTIVE DATE

With the exception of paragraph 4.27, all other paragraphs in this *Treasury Instruction* take effect from 1 January 2014.

9. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

9.1 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 that report to the executive authority responsible for the accounting officer's department.

9.2 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.

10. NOTIFICATION TO THE AUDITOR-GENERAL

The Auditor-General will be notified of the contents of this *Treasury Instruction*.

11. AUTHORITY FOR THIS INSTRUCTION

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

12. CONTACT INFORMATION

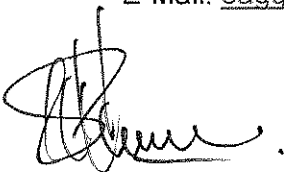
Enquiries related to this *Treasury Instruction* may be directed to:

Jayce M Nair

Chief Director: Governance Monitoring and Compliance

Phone: 012 315 5482

E-Mail: oagqueries@treasury.gov.za



SCHALK HUMAN

ACTING ACCOUNTANT-GENERAL

DATE: 19/12/2013

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

Travel and Subsistence

1. Trips by vehicles must be optimised to reduce costs.
2. Motor vehicle travel claims must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work.
3. International travel must be limited to meetings or events that are considered absolutely critical and the number of employees attending such meetings or events must be limited to those employees that are directly involved in the subject matter related to such meetings or events.
4. At least three quotations must be obtained for all accommodation.
5. Corporate air miles accumulated through loyalty programmes must be used to acquire air tickets.
6. Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometers to and from the destination (return journey).
7. Claims for meals must be prohibited if the hotel rate already includes dinner and/or breakfast or if the conference fee includes lunch and/or dinner.
8. To the extent feasible, air travel must be properly planned to ensure that restricted airline tickets are used as opposed to the more expensive flexible tickets.

Inventory

9. Bulk purchases should be considered for regularly consumed inventory.
10. Supplier and early settlement discounts must be negotiated to secure lower prices.
11. Corporate branded items availed to employees must be recovered at least at full cost.
12. Production costs related to publications must be minimised for example, by limiting the number of photographs, paying due attention to the quality of paper and giving consideration to the number of copies printed.
13. Savings on the amount of paper used must be considered by printing draft documents 'back to back' and by using colour printing facilities prudently.
14. The use of electronic mail (email) must be encouraged instead of postage.
15. All newspapers and other publications for employees should be discontinued. In instances where a department, constitutional institution or public entity has an existing contract for the supply and delivery of newspapers or other publications, such contracts should not be renewed.
16. 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

17. The prudent use of water and electricity must be encouraged to lower utility costs.

Communication

18. Allowances to employees for private calls must be limited to a reasonable value.

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19. The allocation of cellular phones and data facilities to employees must be based on the nature of their work as opposed to the positions they hold.
20. Telephone and/or video conferencing facilities must be used, where possible, to avoid unnecessary travel and subsistence costs.

Advertising

21. Advertisements for vacancies should be placed through bulk advertisements. The job specification content of advertised vacancies should be provided in detail on the website of the department, constitutional institution or public entity concerned.
22. Consideration should be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.

Financial assets

23. Every effort must be made to recover debts from debtors before giving any consideration to writing off those debts.

Hiring of venues

24. Meetings and planning sessions must, as far as practically possible, be held in-house. In instances where such sessions cannot be held in-house, alternate facilities at other government institutions must be sought.

Miscellaneous measures

25. There should be synergy between similar business activities to avoid duplication of processes and efforts.
26. Labour saving devices should be shared within the establishment to optimize the capacity utilization of each device.
27. Warranties on motor vehicles and computer equipment should, where possible, be extended for reasonable periods instead of procuring new motor vehicles and computer equipment.
28. Purchasing of new furniture and equipment and office refurbishments should only be undertaken where absolutely necessary.
29. Caution should be exercised in the selection of training service providers by ensuring that courses attended by employees are of sufficient quality to derive value for money. E-Learning methods should be considered for in-house training.
30. Where possible, transversal contracts must be used for the procurement of goods or services.