



Reference: T7/2/1

TREASURY CIRCULAR NO. 22/2015

THE PREMIER

THE MINISTER OF ECONOMIC OPPORTUNITIES
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS BH FAKIRA)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)
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THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
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THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
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} For information

THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)
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 THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)
 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN)
 THE HEAD: PUBLIC POLICY SERVICES (MS M KORSTEN)
 THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
 THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR H MALILA) (PRO TEM)
 THE HEAD: ASSET MANAGEMENT (MR IG SMITH)
 THE HEAD: FINANCIAL GOVERNANCE AND ACCOUNTING (MR B VINK) (ACTING)
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)
 THE SENIOR MANAGER: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)
 THE SENIOR MANAGER: FINANCIAL GOVERNANCE (MR B VINK)
 THE SENIOR MANAGER: FISCAL POLICY (MS S DAVIDS) (ACTING)
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 THE SENIOR MANAGER: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MS L MCCARTNEY)
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
 THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN) (PRO TEM)
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
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 THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

ISSUING OF COST CONTAINMENT MEASURES AND GUIDELINES

PURPOSE

1. The purpose of this circular is to bring to the attention of all Accounting Officers/Authorities and Chief Financial Officers of Departments and Entities, the National Treasury Instruction 1 of 2013/14 on Cost Containment Measures and the concomitant Guidelines.
2. To note that the following Provincial Treasury Circulars are hereby repealed:
 - 51 of 2009 – Directive: Implementation framework for all Departments and Public Entities in respect of traveling by air.
 - 51 of 2011 – Transversal air travel and related services.

BACKGROUND

3. National Treasury issued National Treasury Instruction 01 of 2013/14 (on 19 December 2013) containing cost containment measures effective from 01 January

2014 (see **Annexure A**). Further clarity was provided in the Guideline on Cost Containment Measures (see **Annexure B**).

4. Cabinet approved the adoption of the Cost Containment Measures issued by National Treasury (Minute No. 119/2015) on 06 May 2015 (see **Annexure C**).

DEVIATION/EXEMPTION

5. Departments/Entities are required to submit any requests for deviation/exemption to the Head: Provincial Treasury.

REQUIRED

6. Departments and Entities are required to comply with the attached National Treasury Instruction 01 of 2013/2014 and Guidelines on Cost Containment Measures as endorsed by Cabinet.



PROVINCIAL ACCOUNTANT-GENERAL

Date: 04.06.2015



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ANNEXURE A

**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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Cost containment measures

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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Cost containment measures

- 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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Cost containment measures

(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

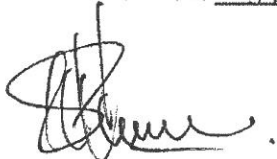
Enquiries related to this *Treasury Instruction* may be directed to:

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.



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

OFFICE OF THE ACCOUNTANT-GENERAL

August 2014

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

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 compliant 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;

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- (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

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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 selected¹ 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;

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.

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- (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.

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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 where 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

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27 below) and services that are of a non-core nature or specialist services required on a once off or temporary basis.

SERVICES WHERE PERMANENT CAPACITY IS REQUIRED

25. Before a decision is taken to use external capacity, an institution must conduct an assessment of the costs related to making use of external capacity versus the cost of creating and filling internal capacity. The assessment should also take into account whether or not internal capacity and/or other resources required are available to perform the specific project.
26. The assessment referred to in paragraph 25 above is contained in **PART D** of this *guideline*. A proper gap analysis and planning process must be conducted to ensure that the request for specific capacity is indeed required by the accounting officer or accounting authority.

INTERNAL CAPACITY

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.

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- 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

NO	QUESTION	RESPONSE		COMMENTS
		YES	NO	
1	Did the institution analyse the cost-effectiveness of permanent capacity versus making use of consultants, while ensuring continuity and service delivery?			

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NO	QUESTION	RESPONSE		COMMENTS
2	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?			
3	Was consideration given to whether the objectives of the institution would be better achieved through the appointment of consultants or permanent staff?			
4	Does the skill and experience exist in the institution for the required task?			
5	How often does the institution use the skills required for the tasks performed by external capacity (consultants)?			
6	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?			
7	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?			
8	Are internal processes to appoint permanent staff inefficient and ineffective?			
9	Are consultants appointed to monitor work of other consultants or to complete specifications for tenders for which they did not tender?			

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NO	QUESTION	RESPONSE		COMMENTS
IF A CONSULTANT IS CONSIDERED FOR AN APPOINTMENT				
10	Were competitive and transparent appointment processes followed?			
11	Was proper contract administration provided for setting proper milestones, performance targets, monitoring systems and roles and responsibilities?			
12	Was transfer of skills included in the consultant's contract?			
13	Were penalty clauses included in the contract of the consultants and were they applied?			
14	Was there a limit to the consultant's budget?			
15	Were consultants employed in high or critical positions such as CFO position?			
16	Is the work of consultants formally reviewed by the relevant staff (middle management and senior management) involved with the subject matter?			
17	Was the actual work performed by consultants matched with the contractual requirements?			
18	Do institutions have measures in place to avoid contracts being prolonged or varied above 15% of the contract value?			
19	Did institutions close the consultant's project properly to ensure that all the deliverables were met, implemented and properly filed?			

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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:

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- (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.

PROFESSION	SOURCE	LINK
Rates for Reimbursable Expenses	As obtained from the Department of Public Works.	http://www.publicworks.gov.za/consultantsguidelines.html
Project Management	South African Council for the Project and Construction Management Professions. Act 48 of 2000, March 2007	http://www.publicworks.gov.za/consultantsguidelines.html
Quantity Surveying	South African Council for the Quantity Surveying Profession. Government Gazette, 5 December 2008	http://www.publicworks.gov.za/consultantsguidelines.html <u>THE TARIFF OF PROFESSIONAL FEES - The SA Council for the QS Profession</u>
Architecture	South African Council for	http://www.publicworks.gov.za/consultantsguidelines.html

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	the Architecture Profession. Government Gazette, 31657 of 5 December 2006	delines.html SACAP - Search Results
Engineering	Engineering Council of South Africa. Government Gazette, 29729 of 30 March 2007	http://www.publicworks.gov.za/consultantsguidelines.html Regulation of Engineering Practices - Guideline Fees
Town and Regional Planning	South African Council for Planners. Government Gazette, 31064 of 23 May 2008	SACPLAN - SACPLAN
Other such as: <ul style="list-style-type: none"> • NDP Development Coordinator • Legal Expert • Economist • Arbitrator • Conveyancer • Community Participation/ Stakeholder Management Expert • Facilities Manager • Training Specialist • Financial Expert • Environmentalist • Geologist • Marketing Specialist • GIS Expert • Historian/Heritage Expert • Investment Manager • Disaster Management Expert • Safety and Security Specialist • Researcher • Urban Designer • Health and Safety Consultant &Etc. 	Department of Public Service and Administration Hourly Fee Rates for Consultants Rates applicable to consulting categories for which no standardised rates have already been determined by professional institutes or associations established in terms of a particular legislation. http://www.dpsa.gov.za/dpsa2g/documents.asp#consultants_fees	

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PART G: FREQUENTLY ASKED QUESTIONS

Application of Treasury Instruction No. 1 of 2013/2014

Question 1

Response 1

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.

Question 2

Response 2

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).

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Question 3

Response 3

Which public sector institutions must comply with the provisions of the National Treasury Instruction 01 of 2013/2014?

The Treasury Instruction applies to departments; constitutional institutions; and public entities listed in Schedules 2 and 3 to the PFMA.

Effective date of National Treasury Instruction 01 of 2013/2014

Question 4

Response 4

On which date does National Treasury Instruction 01 of 2013/2014 take effect?

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.”*

Question 5

Response 5

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?

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).

Travel and subsistence

Question 6

Response 6

What is the cost of domestic accommodation for Executive Authorities?

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.

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Question 7

Response 7

<p>Do consultants' fees include costs related to travel and subsistence?</p>	<p>Paragraph 4.3 of the National Treasury Instruction provides for the following in relation to travel and subsistence costs of consultants:</p> <ul style="list-style-type: none"> (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. <p>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.</p>

Question 8

Response 8

<p>Is R1300 fee for the domestic accommodation inclusive of the tourism levy or not?</p>	<p>The accommodation rate of R1300 per person per night includes value added tax but <u>excludes</u>:</p> <ul style="list-style-type: none"> (a) Travel agency fees; (b) Commission fees; (c) Tourism levy; or (d) Other fees related to booking of accommodation.
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Question 9

Response 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?

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

Response 10

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

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

Question 11

Response 11

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

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

Question 12

Response 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?

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

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	(whichever applicable) for the hire of an automatic vehicle.
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Expenses related to catering and events

Question 13

Response 13

Does paragraph 4.23 apply to catering for training sessions?	Paragraph 4.23 of the National Treasury Instruction does not apply to the training of officials.
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Question 14

Response 14

If a meeting consists of out-of-town officials can refreshments be provided for such a meeting?	Yes, refreshments may be supplied to out-of-town officials provided that the duration of such meetings exceeds 5 hours.
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Question 15

Response 15

Should a department host a training event over 2 full days for employees, can the department cater (provide refreshments) for such employees?	<p>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:</p> <ul style="list-style-type: none"> (a) Workshops; (b) Training; (c) information sessions; (d) forums; (e) Conferences and etc.
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Question 16

Response 16

Are institutions permitted to host farewell functions for officials leaving the institution?	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.
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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.

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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

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ANNEXURE A: CONSULTANTS REDUCTION PLAN (EXAMPLE)

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

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CABINET MEETING 2015 -05- 0 6

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Minute No. /2015

COST CONTAINMENT MEASURES

(File: T 8/1/3/6

Provincial Treasury)

1. For Cabinet to:
 - 1.1 Note the Western Cape's adoption of cost containment measures since 2009 and the approach in rolling out the Cost Containment Measures issued by National Treasury in National Treasury Instruction 01 of 2013/14 and the concomitant Guidelines on Cost Containment Measures.
 - 1.2 Adopt the Cost Containment Measures as issued by National Treasury in National Treasury Instruction 01 of 2013/14 and the concomitant Guidelines on Cost Containment Measures.


SECRETARY: CABINET