



PROVINCIAL TREASURY CIRCULAR NO. 17 OF 2019

TO:

ACTING DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA: VOTE 1: (MR K MOHLASEDI)
SECRETARY: PROVINCIAL LEGISLATURE OF MPUMALANGA: VOTE 2: (MR L MWALE)
ACTING HEAD: PROVINCIAL TREASURY: VOTE 3: (MS GUGU MASHITENG)
HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: VOTE 4: (MR P NYONI)
ACTING HEAD: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS: VOTE 5: (MR LS MONARENG)
ACTING HEAD: ECONOMIC DEVELOPMENT AND TOURISM: VOTE 6: (MR NM SEBITSO)
ACTING HEAD: EDUCATION: VOTE 7: (MR JR NKOSI)
ACTING HEAD: PUBLIC WORKS, ROADS AND TRANSPORT: VOTE 8: (MS SP XULU)
HEAD: COMMUNITY SAFETY, SECURITY AND LIAISON: VOTE 9: (MR W MTHOMBOTHI)
HEAD: HEALTH: VOTE 10: (DR S MOHANGI)
HEAD: CULTURE, SPORT AND RECREATION: VOTE 11: (MR GS NTOMBELA)
HEAD: SOCIAL DEVELOPMENT: VOTE 12: (MR MV MAHLALELA)
HEAD: HUMAN SETTLEMENTS: VOTE 13: (MR K MASANGE)

THE ACTING CHIEF EXECUTIVE OFFICER: MPUMALANGA ECONOMIC GROWTH AGENCY (MR T CAMANE)
THE CHIEF EXECUTIVE OFFICER: MPUMALANGA ECONOMIC REGULATOR (MR BJ MLAMBO)
THE CHIEF EXECUTIVE OFFICER: MPUMALANGA TOURISM AND PARKS AGENCY (MR BJ NOBUNGA)
THE CHIEF EXECUTIVE OFFICER: MPUMALANGA REGIONAL TRAINING TRUST (MR R OOSTHUIZEN)

REPORTING REQUIREMENTS: PUBLIC ENTITIES

The purpose of this Circular is to reiterate the reporting requirements by Public Entities and the responsibility of parent Departments and the expectations of the Provincial Treasury in terms of legislation and related policies and procedures.

PUBLIC ENTITIES

1. PUBLIC FINANCE MANAGEMENT ACT, NO. 1 OF 1999 (PFMA)

Section 54: Information to be submitted by accounting authorities:

- (1) The accounting authority for a public entity must submit to the relevant treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require.
- (2) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:
 - (a) establishment or participation in the establishment of a company;
 - (b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
 - (c) acquisition or disposal of a significant shareholding in a company;
 - (d) acquisition or disposal of a significant asset;
 - (e) commencement or cessation of a significant business activity; and
 - (f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.
- (3) A public entity may assume that approval has been given if it receives no response from the executive authority on a submission in terms of subsection (2) within 30 days or within a longer period as may be agreed between itself and the executive authority.
- (4) The executive authority may exempt a public entity listed in Schedule 2 or 3 from subsection (2).

Section 55: Annual report and financial statements:

- (1) The accounting authority for a public entity—
 - (a) must keep full and proper records of the financial affairs of the public entity;
 - (b) prepare financial statements for each financial year in accordance with generally accepted accounting practice, unless the Accounting Standards Board approves the application of generally recognised accounting practice for that public entity;
 - (c) must submit those financial statements within two months after the end of the financial year—
 - (i) to the auditors of the public entity for auditing; and
 - (ii) if it is a business enterprise or other public entity under the ownership control of the national or a provincial government, to the relevant treasury; and
 - (d) must submit within five months of the end of a financial year to the relevant treasury, to the executive authority responsible for that public entity and, if the Auditor-General did not perform the audit of the financial statements, to the Auditor-General—

- (i) an annual report on the activities of that public entity during that financial year;
- (ii) the financial statements for that financial year after the statements have been audited; and
- (iii) the report of the auditors on those statements.

2. TREASURY REGULATIONS

6.1 Annual budget circular

6.1.2 The accounting officer of a constitutional institution or the accounting authority of a public entity who receives transfers appropriated by vote must provide such information as may be required by the accounting officer responsible for the vote for the purposes of complying with a budget circular. A budget submission by such a constitutional institution or public entity must be made through the accounting officer of the department responsible for transfers to that constitutional institution or public entity.

16A Supply Chain Management

16A5.1 The Accounting officer or accounting authority must ensure that all officials implementing the institution's supply chain management system are trained and deployed in accordance with the requirements of the framework for minimum training and deployment issued by the National Treasury.

16A7 Disposal of movable assets must be at market-related value or by way of price quotations, competitive bids or auction, whichever is most advantageous to the state, unless determined otherwise by the relevant treasury.

29.1 Corporate plans [Section 52 of the PFMA]

29.1.4 Provincial government business enterprises listed in Schedule 3D and authorised to borrow by the Minister of Finance must –

- (a) submit to the relevant treasury, with their corporate plans, a three-year borrowing programme beginning with the first financial year of the corporate plan. The programme must be in terms of approvals and limits determined by the Minister, and in terms of the Borrowing Powers of Provincial Governments Act; and
- (b) submit to the relevant treasury, quarterly reports on the approved borrowing programme, reflecting actual borrowing for that quarter and any update of the borrowing programme.

29.1.5 The relevant treasury must forward to the National Treasury –

- (a) a copy of the corporate plan and approved borrowing plan;
- (b) quarterly updates reflecting actual borrowing for that quarter; and
- (c) any update in the borrowing programme of Schedule 3D provincial government business enterprises that are authorised to borrow.

29.1.6 The borrowing programme referred to in paragraphs 29.1.3 and 29.1.4 must include–

- (a) the terms and conditions on which the money is borrowed;
- (b) information on proposed domestic borrowing;

- (c) for national public entities, information on proposed foreign borrowing within the prescribed limit, where applicable;
- (d) short and long-term borrowing;
- (e) borrowing in relation to a pre-approved corporate plan;
- (f) the maturity profile of the debt;
- (g) the confirmation of compliance with existing and proposed loan covenants;
- (h) debts guaranteed by the government;
- (i) motivations for government guarantees, if required, and
- (j) the executive authority's approval of the borrowing programme, if required by the legislation in terms of which the public entity was established.

29.2 Shareholder's compact

29.2.1 The accounting authority for a public entity listed in Schedule 2, 3B or 3D must, in consultation with its executive authority, annually conclude a shareholder's compact.

29.2.2 The shareholder's compact must document the mandated key performance measures and indicators to be attained by the public entity as agreed between the accounting authority and the executive authority.

30.1 Strategic plan

30.1.1 The accounting authority for a public entity listed in Schedule 3A or 3C must annually submit a proposed strategic plan for approval by the relevant executive authority. Such a plan must be submitted at least six months before the start of the financial year of the designated department or another time period as agreed to between the executive authority and the public entity.

30.1.2 The strategic plan must be finalised and submitted to the relevant executive authority no later than 1 April of each year.

30.1.3 The strategic plan must –

- (a) cover a period of three years;
- (b) include objectives and outcomes as identified by the executive authority;
- (c) include multi-year projections of revenue and expenditure;
- (d) include key performance measures and indicators for assessing the public entity's performance in delivering the desired outcomes and objectives;
- (e) include the materiality/significant framework, referred to in Treasury Regulation 28.3.1;
- (f) be updated annually on a rolling basis; and
- (g) form the basis for the annual reports of accounting authorities in terms of section 55 of the Act.

30.1.4 The executive authority may request additional information to be included in the strategic plan.

29.3 and 30.2 Evaluation of performance

29.3.1 and 30.2.1 The accounting authority of a public entity must establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action.

31.2 Banking framework [Sections 7(2) and (3) of the PFMA]

31.2.1 When a public entity listed in Schedule 3 of the Act intends to open a new bank account, the National Treasury must approve of the bank. For purposes of section 7(2)(a) of the Act, existing banking arrangements can be regarded as approved by the National Treasury, but the accounting authority must, by 31 May of each year, submit to the National Treasury, a list of all such banking accounts of the public entity.

33.3 Reporting [Section 85(1)(a) and (e) of the PFMA]

33.3.1 The accounting authority must, on an annual basis, submit to the executive authority, the relevant treasury and Auditor-General a schedule of –

- (a) the outcome of any disciplinary hearings and/or criminal charges;
- (b) the names and ranks of employees involved; and
- (c) the sanctions and any further actions taken against these employees.

3. INSTRUCTION NOTES

Government institutions are required, in terms of Treasury Instruction Note of 31 May 2011, to submit procurement plans for goods, works and services estimated in excess of R500 000 (applicable taxes included) per case, to the Provincial Treasury on annual basis, by 30th April of each financial year.

PARENT DEPARTMENTS

1. PUBLIC FINANCE MANAGEMENT ACT, NO. 1 OF 1999 (PFMA)

Section 38: General responsibilities of accounting officers

- (1) The accounting officer for a department, trading entity or constitutional institution—
 - (j) before transferring any funds (other than grants in terms of the annual Division of Revenue Act or to a constitutional institution) to an entity within or outside government, must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems;

2. TREASURY REGULATIONS

3.2 Internal controls and internal audit [Sections 38(1)(a)(i) and 76(4)(e) of the PFMA]

3.2.8 An internal audit function must assess the operational procedure and monitoring mechanisms over all transfers made and received, including transfers in terms of the annual Division of Revenue Act.

8.4 Transfers and subsidies (excluding Division of Revenue grants and other allocations to municipalities) [Section 38(1)(j) of the PFMA]

8.4.1 An accounting officer must maintain appropriate measures to ensure that transfers and subsidies to entities are applied for their intended purposes. Such measures may include-

- (a) regular reporting procedures;
- (b) internal and external audit requirements and, where appropriate, submission of audited statements;
- (c) regular monitoring procedures;
- (d) scheduled or unscheduled inspection visits or reviews of performance; and
- (e) any other control measures deemed necessary.

8.4.2 An accounting officer may withhold transfers and subsidies to an entity if he or she is satisfied that-

- (a) conditions attached to the transfer and subsidy have not been complied with;
- (b) financial assistance is no longer required;
- (c) the agreed objectives have not been attained; and
- (d) the transfer and subsidy does not provide value for money in relation to its purpose or objectives.

PROVINCIAL TREASURY

1. PUBLIC FINANCE MANAGEMENT ACT, NO. 1 OF 1999 (PFMA)

Section 38: General responsibilities of accounting officers

The Accounting Officer of a transferring Department must submit to the Provincial Treasury a copy of the written assurance from the Public Entity that effective, efficient and transparent financial management and internal control systems were implemented.

Section 54: Information to be submitted by accounting authorities

The Accounting Authority for the Public Entity must promptly and in writing inform the Provincial Treasury of the transaction in terms of Section 54(2)(a to f).

Section 55: Annual report and financial statements:

The accounting authority for a public entity must submit within five months of the end of a financial year (31 August) to, amongst others, the Provincial Treasury:

- (i) an annual report on the activities of that public entity during that financial year;
- (ii) the financial statements for that financial year after the statements have been audited; and
- (iii) the report of the auditors on those statements.

2. TREASURY REGULATIONS

3.2 Internal controls and internal audit [Sections 38(1)(a)(i) and 76(4)(e) of the PFMA]

The Provincial Treasury to be provided with a copy of the final Internal Audit report of a transferring Department where the operational procedures and monitoring mechanisms over all transfers made were assessed.

8.4 Transfers and subsidies (excluding Division of Revenue grants and other allocations to municipalities) [Section 38(1)(j) of the PFMA]

Accounting Officers of transferring Departments to provide Provincial Treasury with the measures that are implemented to ensure that transfers are applied for the intended purposes. Quarterly reports to be submitted to the Provincial Treasury on whether monitoring was performed, inspection visits and reviews of performance were performed and what the findings of these processes were and remedial actions to be taken where applicable.

Accounting Officers must report to Provincial Treasury where a decision was taken to withhold transfers to an Entity and the reasons for such a decision.

16A11 Reporting of supply chain management information

The Accounting officer or accounting authority must submit to the relevant treasury such supply chain management information as that treasury may require.

29.2 Shareholder's compact

A copy of the annual signed Shareholder's compact must be submitted to the Provincial Treasury by the Accounting Officer of the transferring Departments.

29.3 and 30.2 Evaluation of performance

A copy of the analysis performed by the transferring Department on the quarterly reports submitted by the Entity must be submitted to the Provincial Treasury.

It must be noted that the above pieces of legislation is not all inclusive of the reporting requirements of entities and that this Circular seeks to reiterate the reporting requirements relating to Public Finance Management.

Your co-operation in this regard is appreciated.

Regards


MS GUGU MASHITENG
ACTING HEAD: PROVINCIAL TREASURY
DATE: 10 / 05 /2019