

TREATMENT OF ADVANCE PAYMENTS IN PUBLIC FINANCE MANAGEMENT ACT

Presentation to Portfolio Committee: Human Settlements

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national treasury

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Context

The Public Finance Management Act, Act 1 of 1999 (PFMA) promotes good financial management in order to maximise service delivery through efficient and effective use of resources.

Key objective is to enable public sector managers to manage, while at the same time holding them accountable for their management decisions

General responsibilities of accounting officers

- Governed by section 38 of the PFMA
 - Section 38(1)(a)(i)
 - ensure that the department has and maintains an effective, efficient and transparent system of financial and risk management and internal control.
 - Section 38(1)(b)
 - responsible for the effective, efficient, economical and transparent use of the resources of the department.

Treasury Regulations

- Section 7(1) of PFMA : National Treasury must prescribe a framework within which departments, schedule 3 entities and constitutional institutions must conduct their cash management
- Cash management framework prescribed in Chapter 15 of the Treasury Regulations
- Treasury Regulation 15.10.1.1 stipulates that the accounting officer of a department is responsible for establishing systems and procedures to ensure efficient and effective banking and management.
- Sound cash management, in terms of Treasury Regulation 15.10.1.2, includes:
 - making payments, including transfers and subsidies to other levels of government and non-government entities no earlier than necessary, with due regard for efficient, effective and economical programme delivery, and
 - avoiding prepayments for goods and services, unless required by the contractual arrangements with the supplier

Clarity to IDT

- The Independent Development Trust (IDT) is a schedule 2 public entity
- Provides programme management and development advisory services to government departments
- In 2009, IDT informed National Treasury that CFOs of departments reluctant to make advance payments due to TR15.10.1.2(c)
 - TR15.10.1.2 does not prevent departments from making payments in advance, where this is reasonable and necessary
 - Requires accounting officers to exercise caution when making advance payments
 - Includes satisfactory reporting and reconciliation of expenditure against advance payments

Project implementation by IDT

- IDT implements projects on behalf of:
 - Department of Public Works
 - Provincial Departments of Health, Education, Works and Roads
 - Department of Water Affairs
 - Department of Justice and Constitutional Development
- Programme implementation agreements for each programme (approximately 160 agreements)
 - Each programme has separate interest bearing bank account
 - Bank reconciliation of income and expenditure for each programme account
 - Project management fees invoiced and charged against the relevant programme account

Spending performance

<i>R thousand</i>	Adjusted appropriation	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Rural Household Infrastructure Grant	100 000	-	-	9 878	53 300	63 178
Spending as % of budget		0%	0%	10%	53%	63%

- R 100 million allocated in 2010/11
 - R12 million of allocation for programme management
- Spending in February 2011 was 11 per cent
- RHIG expenditure in March 2011 – R52 million
 - R14 million paid in advance to the IDT