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**Department:**  
**Public Works; Roads and Transport**  
North West Provincial Government  
Republic of South Africa

## **FINANCIAL MANAGEMENT POLICIES**

**POLICY NO.:** FM2008/001  
**NAME OF POLICY:** ADMINISTRATION AND MANAGEMENT OF TRANSFER PAYMENTS

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## PREAMBLE

Many national and provincial government departments transfer payments to other entities, either within or outside government. In this regard, compliance with Section 38(1)(j) of the PFMA requires that before transferring any funds to an entity within or outside government, written assurance must be obtained that that entity has implemented effective, efficient and transparent financial management and control systems.

If such assurance cannot be obtained, the transfer of funds must be subject to conditions and remedial measures requiring the entity to establish the necessary financial management and control systems.

## 1. DEFINITIONS AND ABBREVIATIONS

For the purposes of this policy, the following definitions apply:

**Transfer payments** - include subsidy payments and grants-in-aid as defined below:

**Subsidy payments:** funds paid to organisations/institutions to subsidise their expenditure in the pursuance of meeting departmentally approved objectives.

**Grants-in-aid:** funds paid to organisations/institutions for a specific purpose.

## 2. PURPOSE AND OBJECTIVES

The purpose of this policy is to articulate the departmental guidelines regarding the annual allocations, roll-over, payment, general conditions, and prescribed reporting responsibilities of transfer payments.

## 3. PRINCIPLES

Treasury Regulations 8.4.1 and 8.4.2 state:

**8.4.1 -** “An accounting officer must maintain appropriate measures to ensure that transfer payment 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
- (e) any other control measures deemed necessary.”

**8.4.2 -** “An accounting officer may withhold a transfer payment to an entity if he or she is satisfied that:

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

## **4. LEGISLATIVE FRAMEWORK**

### **4.1 Legislation**

- (a) Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999)
- (b) Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) Annual Estimates of Revenue and Estimates of Expenditure
- (c) Treasury Regulations (March 2005)

### **4.2 Departmental**

- (a) Financial Management Delegations of Authority

## **5. SCOPE OF APPLICATION**

This policy applies to all departmental employees, learnership participants, interns and duly appointed cost centre managers in particular.

## **6. PROCEDURAL GUIDELINES**

### **6.1 Annual allocations of transfer payments**

The relevant cost centre manager shall provide the Chief Financial Officer with a detailed listing of the proposed recipients of transfer payments for the following financial year during the budget planning process. This listing shall be supported by relevant supporting documents.

### **6.2 Rollover of transfer payments**

In terms of Treasury Regulation 6.4.1, transfer payments may be rolled over to a subsequent year, subject to approval of the Provincial Treasury and provided that these funds are spent for the purposes originally appropriated.

Requests for rollovers must be submitted to the Provincial Treasury on or before the last working day of April, in a format determined by the National Treasury and must include:

- (a) the purpose for which the funds were appropriated
- (b) the reasons why the funds were not spent
- (c) proposed changes to the use of the funds, if any
- (d) a disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred.

### **6.3 Payments**

The Department must comply with the following requirements prior to effecting payment to a qualifying institution:

- (a) that Treasury Regulations 8.4.1 and 8.4.2 have been complied with.
- (b) that the relevant cost centre manager has authorised the payment thereof in terms of the appropriated allocation.
- (c) that the cost centre manager authorising the payment shall ensure that appropriate supporting information has been obtained to satisfy himself/herself that:
  - i. the transfer payment or grant is valid.
  - ii. the amount is correct.
  - iii. all conditions and objectives have been met.
  - iv. the qualifying institution is aware of the statutory and departmental requirements.
  - v. the institution has in respect of the previous financial year's assistance complied with the statutory and departmental requirement.

- (d) that the qualifying institution has certified that it maintains effective, efficient and transparent financial management and control systems.

#### **6.4 Specific conditions**

- (a) Cost centre managers shall ensure that the following conditions are complied with prior to approving a transfer payment to a qualifying institution:
  - i. that the qualifying institution has certified that it maintains effective, efficient and transparent financial management and control systems.
  - ii. that audited financial statements have been submitted to the Department, within 3 months after the financial year-end, by the qualifying institution.
  - iii. that quarterly un-audited financial statements are submitted to the Department.
  - iv. that scheduled or unscheduled inspection visits or reviews of performance by the Department be allowed.
- (b) Should a qualifying institution indicate in the certificate mentioned in (a) above that it is unable to comply with the requirements, the Chief Financial Officer shall be consulted for advice on alternative conditions and monitoring requirements.
- (c) Transfer payments should be budgeted for under transfer payments, otherwise the relevant cost centre manager should submit a submission through the Office of the Chief Financial Officer to Treasury for approval of new transfer payments.
- (d) On approval by Treasury, a shifting of funds form must be submitted by the relevant cost centre manager to the Chief Financial Officer.
- (e) If transfer payments were budgeted for against a collective objective, a submission must be submitted by the cost centre manager through the relevant directorate and the Chief Financial Officer to the Accounting Officer for approval of specified amounts to specified institutions.

#### **6.5 Management reporting**

The relevant cost centre manager shall provide monthly management information, in the prescribed format, concerning the status of all departmental transfer payments, to the Chief Financial Officer by the 15th of the following month.

In preparing the annual report of the Department, the Chief Financial Officer shall include information on transfer payments per institution for the entire financial year as well as a report on compliance with Section 38(1)(j) of the PFMA.

### **7. RESPONSIBILITIES AND OBLIGATIONS**

Overall responsibility for the implementation of this policy rests with the Chief Financial Officer. Further responsibilities assigned to cost centre managers are outlined in Clause 6 above.

## 8. COMMENCEMENT OF THE POLICY

This policy is effective from the signature date below.

APPROVED



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**PJ N VAN STADEN**  
**DEPUTY DIRECTOR GENERAL**

**01 September 2009**

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**Date**