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Department:

**Public Works, Roads and Transport**

North West Provincial Government

Republic of South Africa

# **FINANCIAL MANAGEMENT POLICY**

**POLICY NO. : FM 2013/003**  
**NAME OF POLICY : FINANCIAL MANAGEMENT POLICY**

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## **PREAMBLE**

Providing managers and employees with funds for daily expenses while on official duties away from the office is a recognised and realistic practice. More and more, with decentralised operations and increased cooperative governance, managers and employees are required to travel to meeting and other operational gathering.

However, it must further be noted that these allowances for travel, subsistence and accommodation may be subjected to abuse and possible fraudulent practices.

It is therefore imperative that the Department provide a fair and justifiable basis for official travelling and subsistence arrangement of the related expenditure.

## **1. DEFINITIONS AND ABBREVIATIONS**

For the purpose of this policy, the following definition apply:

Employee:	Any official, employed by the Department, irrespective of rank, who travels for official purposes.
Fixed daily allowances	An allowance payable in instances when actual expenses are not claimed.
Headquarter	City, town or place within the municipal area of the local government where the principal duties of an officer or employee are or have to be performed or which may be indicated as his/her headquarters by the head of Department.
Manager	Anyone whose main duties involve responsibility for the work of others. Thus, the term includes not only those who are usually referred to as managers because they are members of the management echelons but also line supervisors.
Special daily allowances	Allowances granted to compensate the incidental expenses when actual expenses are claimed.
Subsistence and travelling advance:	Advance funds to meet daily expenditure for departmental employees who have been granted approval by the Department to perform duties away from their headquarters.
Subsistence and travelling	Compensatory payments to departmental employees for expenses incurred whilst away from their normal place of duty.

## **2. PURPOSE AND OBJECTIVES**

The purpose of this policy is to create an organised and effective framework to enable employees and managers to attend to official departmental business away from their offices by covering reasonable expenses through the payment of relevant and authorised travelling and subsistence allowances, within specifically approved stipulations.

### **3. PRINCIPLES**

#### **3.1 General**

The following general principles apply to official travel by employees of the Department:

- (a) Each component must budget for all its envisaged travel and subsistence expenditure.
- (b) All journeys undertaken by employees must be authorised by the relevant delegated authority (manager)
- (c) Prior approval must be obtained before journeys are embarked on.
- (d) Special approval is required for travelling abroad.
- (e) Each employee is responsible for his/her own travel arrangements.
- (f) Employees who are in possession of subsidised vehicles may not utilise pool vehicles for official trips.
- (g) If a Departmental vehicle is available for the trip, the employee shall not be reimbursed for expenditure incurred in using his/her personal vehicle, unless special approval has been received.
- (h) The Department shall not be liable for any additional costs with regard to flights, transport, hotel or miscellaneous expenses, or injuries to companions, partners or spouses that join employees on an official journey without invitation from the Department.
- (i) When an employee's companion, partner or spouse travels on an invitation from the Department, the Department shall be responsible for all expenditure, as if the companion, partner or spouse were an employee of the Department. All Departmental policies will, however, apply to the companion, partner or spouse for the duration of the journey.
- (j) Should an employee choose to settle expenses using his/her personal credit card, it must be noted that the Department shall not be held responsible for any financial difficulties the employee may experience.

#### **3.2 Departmentally Appointed Travel Agencies and Other Service Providers**

Suitable travel agencies may be appointed to administer the departmental travel arrangements. Corporate agreements shall be entered into with the travel agencies, suitable airlines and other service providers ( e.g hotels, car hire firms etc). The appointed travel agencies shall be responsible for travel - related services including flights, accommodation, transfers, car rental, passports visas, foreign exchange, travellers' cheques and conferences.

The Department may utilise the services of a travel/booking agent to arrange accommodation, on behalf of departmental employees provided that :

- (a) there is a appropriate contractual agreement between the Province and/or Department and service provider.
- (b) the programme manager have approved the use of this facility and is aware of any cost associated therewith.
- (c) the utilisation of the travel agencies is the exception rather than the rule and that the reasons for utilisation is disclosed in the documentation attached to the order.
- (e) the agent is made aware by the programme manager that the accommodation cost may not exceed the limit set out on Provincial Cost Containment Policy.

### **3.3 Air Travel**

- (a) The Department shall negotiate a corporate account with the most suitable airline for domestic air travel. "Free Miles" shall be accumulated on every occasion the service of the airline is utilised. Both individual and the Department shall accumulate "free miles".
- (b) All officials required to undertake official journeys by air shall be registered with the travel agencies. These officials shall obtain Frequent Flyer Cards, the number of which must be quoted when travel arrangements are made.
- (c) "Free Miles" accumulated by the individual may be utilised for personal use.
- (d) The travel agencies shall advise the Department of all "free miles" accumulated. These "free miles" shall be utilised, at the discretion of the Head of the Department, for the following official purposes:
  - i. incentives and rewards for meritorious and outstanding performance by employees of the Department.
  - ii. financial saving to the Department.
  - iii. as a means to assist components that have unforeseen and exceptionally high travel requirements (which have not been budgeted for).
- (e) Air travel for all departmental employees on official journeys shall be in economy class.

### **3.4 Car Hire and Other Road travel Transportation**

#### **(a) General Arrangements**

The Department shall not be held responsible for any injuries occurred to and /or damages caused by an official who is not in possession of a valid drivers' license when driving a hired vehicle or any other vehicle while on official business. Whenever a government-owned motor vehicle is garaged or parked, every precaution shall be taken to safeguard it against damage, theft or irregular use. All officials must check vehicles for any damage and indicate it on the relevant forms prior to departure. The department shall not be held responsible for damages to the vehicle if the official did not check the vehicle prior to trip. In such cases, the official shall be held personally responsible.

Officials should make use of office or pool cars, if they are available, when travelling with the North West Province.

Where feasible, arrangements should be made for officials to use government garage vehicles in other provinces.

#### **(b) Car Hire**

##### **i. Car Hire Vendors**

Car hire vendors shall be selected on the basis of cost, availability of vehicles and access to the agency. All bookings should be made through the Department's travel agency.

**ii. Insurance**

The state bears its own damage and accident risks. Officials making use of hired cars are therefore not allowed to take personal indemnity insurance. Should these costs appear on the invoice, the official shall personally be held responsible for the expenses. Travellers should pay attention to this detail when signing acceptance of a hired vehicle.

The following insurance cover should however be acceptable:

- Collision damage or waiver (CDW)
- Theft loss waiver

In both these instances, the state shall take responsibility for the excess payment arising from a claim against it. Once again travellers should be careful not to include total or super damage or theft waivers as these are very expensive and officials will personally be held responsible for the additional expense.

**iii. Size and Class of Vehicle Allowed**

Officials shall utilise the most economical size and class option available between 1300cc to 2000cc. The "optimum" vehicle should be selected on the basis of the number of officials travelling in the vehicle, the type of road and the distance to be travelled.

**iv. Kilometre Costs**

Officials may use the hired vehicle for private journeys in the vicinity of the meetings/seminars/functions.

**v. A log sheet shall be kept for all journeys using the hired vehicles**

Private trips exceeding the free kilometer/day as provided by the hiring company shall be for the account of the delegate hiring the vehicle unless appropriately substantiated as an official travel.

**vi. Special Request**

( Special models, colours, personal indemnity insurance, etc)  
Any extra charges for special request are the sole responsibility of a travelling officer, and the Department shall not be held responsible for such charges.

**vii. Refuelling Hired Cars**

When a vehicle is received from the agency, the agency shall ensure that all vehicles fuel tanks are filled. If necessary, the officer responsible for any refuelling expenses, which will be reimbursed by the Department on submission of proof of expenditure.

**viii. Cellular Telephone in Vehicles**

Any extra charges for special requests are the sole responsibility of the travelling official, and the Department will not be held responsible for such charges.

Furthermore the Department will not be held responsible for any injuries and /or damages caused by an official using cellular telephone when driving a hired vehicle or any other vehicle while on official business.

**ix. Traffic Violations**

The Department shall also not take responsibility for any expenditure emanating from the violation of any traffic regulations.

**x. Government Garage Vehicle**

When applying for a vehicle without a driver at the government garage, a form Z186 must be completed and forwarded to the government garage. The government garage shall not supply any vehicle without this form. When applying for a vehicle with a driver, the booking must be confirmed by fax.

Please note that the travel agency will not be involved in the booking Government Garage vehicles.

Officials shall utilise the most economical size and class of option available between 1300cc. The "optimum" vehicle should be selected on the basis of the number of officials travelling in the vehicle, the type of the road and the distance to be travelled.

**(c) Travel allowance payable**

All official must be authorised with an appropriated trip authority and relevant supporting documents. The following travelling allowances is payable subjected to the conditions as stated below :

- i. Official kilometres are measured from the office and back to the office.
- ii. If official transport is provided, fuel, oil and other specific cost of the official vehicle concern shall be refunded, subject to the necessary documentation being submitted.
- iii. If an employee uses a private vehicle, excluding a subsidised transport scheme vehicle, compensation shall be refunded in accordance with the National Department of Transport rates are revised regularly.
- iv. In calculating the applicable rates for the vehicle concern, an engine capacity to a maximum of 2500 cm<sup>3</sup> shall be used.
- v. If proof of toll fees and parking fees are submitted, the amount shall be reimbursed.

**3.5. Accommodation**

Care should be taken to ensure that the most cost-effective accommodation is utilised at all times and in line with the cost containment.

Any changes of the accommodation will obtain Head of Department's approval

**3.6. Subsistence allowances and incidental expenses whilst on official local journeys (journeys within the borders of South Africa)**

- (a) Allowance tariffs for local journeys are prescribed in terms of Resolution No. 3 of 1999  
Provision is made for three types of allowances:
  - i. A special daily allowance at the current presiding rate as determined by the DPSA to compensate for incidental expenses in cases where actual expenses incurred are claimed.
  - ii. A fixed daily subsistence allowance at the current presiding rate as determined by the DPSA payable in cases where actual expenses are not claimed.
  - iii. A camping allowance at the current presiding rate as determined by the DPSA for road camp teams.
- (b) An allowance for local official journeys will be paid when employees are away from their place of employment for 24 hours or more. The allowance shall be calculated from the time the employee departs from his/her place of employment or residence (whichever is the later) and will end when the employee arrives back at his/her place of employment or residence (whichever is the earlier).
- (c) The special daily allowance, paid when actual expenses are claimed for reimbursement, must be utilised to cover incidental expenses relating to, inter alia:
  - i. Private phone calls
  - ii. Tips
  - iii. Room service charges
  - iv. Newspapers
  - v. Snacks and refreshments between meals
  - vi. Alcoholic beverages
- (d) The following guidelines for meals will apply for claims for actual expenses incurred:
  - i. Breakfast – A maximum of R45.00 will be allowed for breakfasts. It must be noted that the cost of breakfast can only be claimed if it is not included in the cost of the accommodation. The cost of breakfast can, also, only be claimed if the employee departs from his/her residence before 06:00.
  - ii. Lunch and dinner – A maximum of R70.00 will be allowed for lunch and R110.00 for dinner. It must be noted that the cost of dinner will only be reimbursed if the employee returns to his/her residence after 20:00.
- (b) Detailed, itemised receipts for all expenses incurred must be submitted as proof and attached to the claim form submitted. The Department will only reimburse employees for two non-alcoholic drinks per meal per person.



- (c) No proof of expenditure is required in cases where employees submit claims for the fixed daily subsistence allowance.

### **3.6 Subsistence allowances and incidental expenses whilst on official journeys abroad (journeys outside the borders of South Africa)**

- (a) Specific allowance rates for different destinations are prescribed in terms of the Public Service Act, 1994.
- (b) An allowance for official journeys abroad will be paid when employees are away from their place of employment for 24 hours or more. The allowance will be calculated from the time the employee departs from the airport and will end when the employee arrives back at the airport after the journey.
- (c) Foreign allowances are non-accountable which means that no receipts and invoices need to be submitted.
- (d) Accommodation and laundry expenses shall be paid by the Department and should be submitted on the prescribed claim forms, together with the necessary documentation.
- (e) When foreign journeys are funded by donor agencies, the following principles shall apply:
  - i. If donor agencies provide a daily allowance equal to, or higher, than the prescribed allowance, the employee will not receive an allowance from the Department.
  - ii. If the daily allowance provided by the donor agency is less than the prescribed daily allowance, the Department will pay the difference, unless otherwise directed by the Head of the Department.
  - iii. In cases where the expenses relating to the journey are to be paid by the donor agency on receipt of a claim from the Department, the employee will be responsible for:
    - Obtaining approval for acceptance of the sponsorship from the Head of the Department, or delegated authority.
    - Obtaining written proof of the donor arrangements, prior to the journey.
    - Submitting proof of all expenses (i.e receipts, invoices, and copies of tickets) in order for the claim on the donor agency to be processed.

### **3.7 Payments and recoveries**

The fundamental principle adopted by the Department is that it shall endeavor to arrange and pay for all official travel and accommodation in order to limit related employee claims and allowances and the concomitant administration requirements.

- (a) Treasury Regulation 11.2.1 states that the accounting officer of an institution must take effective and appropriate steps to timeously collect all money due to the institution including, as necessary:-
  - i. Maintenance of proper accounts and records for all debtors, including amounts received in part payments; and
  - ii. Referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law.

- (b) Treasury Regulation 17.1.2 states that, should it be necessary in exceptional cases, to account for revenue and expenditure transactions in a clearing or suspense account because the classification has not been resolved, the Accounting Officer must ensure that:
- i. The sources of the transactions are readily identifiable.
  - ii. Amounts included in clearing or suspense accounts are cleared and correctly allocated to the relevant Programme Managers on a monthly basis.
  - iii. Monthly reconciliations are performed to confirm the balance of each account.
  - iv. Reports are provided to the Accounting Officer about uncleared items on a monthly basis.

#### **4. LEGISLATIVE FRAMEWORK**

##### **4.1 Legislation**

- (a) Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999)
- (b) Annual Estimates of Revenue and Estimates of Expenditure
- (c) Treasury Regulations (March 2005)
- (d) Section 8(1) of the Income Tax Act no 58 of 1962
- (e) The Public Service Act, 1994
- (f) Public Service Regulations (5 January 2001)
- (g) Remuneration Allowances and Benefits, Resolution 3 of 1999 Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999)

##### **4.2 Departmental**

- (a) Financial Management Delegations of Authority
- (b) Provincial Accountant General Circulars
- (c) Department of Public Service and Administration (DPSA) – Guidelines on the Management of Benefits and Allowances
- (d) Department of Public Service and Administration – Financial Manual
- (e) KOBDA (Coordinating Committee for Foreign Service Remuneration and Related Matters) directives/circulars

#### **5. SCOPE OF APPLICATION**

This policy applies to all departmental employees, learnership participants, interns and duly appointed Programme Managers in particular.

#### **6. PROCEDURAL GUIDELINES**

##### **6.1 Classification**

###### **(a) Subsistence and Travelling**

In order to comply with Treasury Regulation 17.1.2, subsistence and travelling advances must be raised in the general ledger of the Department.

Employees who have been granted approval by the Department to perform duties away from their headquarters may require advance funding to meet their daily expenditure. Provision has therefore been made for such employees to request an

advance requested may exceed the anticipated expenses during the period of absence and incidental expenses shall not be included. The advance shall not exceed an amount equivalent to the estimated expenses for a period of 30 days, except in the case of an official visit abroad. Where the period abroad exceeds 30 days, an advance should be realistic and cover the estimated expenses for the period of absence.

The processing of subsistence and travelling advance through the Walker/Bas system automatically posts a debit transaction onto the subsistence and travelling control account. This account provides a holding facility until the advance has been settled through the claim procedure, at which time the actual expenditure must be posted to the relevant expenditure item in the particular vote.

The Programme Manager shall be responsible for recommending advances for subsistence and travelling and the Chief Financial Officer for approving them.

Subsistence and Travelling advances may only be utilised for the purposes indicated on the application form. If not, the advance must be repaid to the Department with immediate effect.

A subsistence and travelling advance will only be approved and authorised once all outstanding subsistence and travelling advances have been settled.

#### **(b) Subsistence and Travelling Claims**

The Provincial Accountant General Circular requires that all subsistence and travelling claims be processed through the PERSAL system to ensure compliance with Section 8(1) of the Income Tax Act no 58 of 1962. The processing of subsistence and travelling claims through the PERSAL system provides for the recovery of subsistence and travelling advances and ensures that recoveries of this nature are automatically offset against outstanding advances reflected on the subsistence and travelling control account on the Walker/Bas system.

A claim in respect of subsistence and travelling must be submitted immediately after an employee's return to his/her headquarters and monthly by someone absent on extended duty. In order for the employee concerned to be reimbursed, a travelling and subsistence claim must be completed within 5 days from date of return to his/her headquarters. Where the claimant has drawn an advance must be offset against the claim.

The Programme Manager shall, in terms of Section 45 of the Public Finance Management Act, ensure that an employee has taken the most cost effective option available for travel and accommodation. The Department therefore reserves the right to limit expenditure in this regard to the most cost effective option in terms of the relevant governing prescripts. It must furthermore be noted that the purpose of

a subsistence and travel claim is not to supplement employee salaries or to compensate officer/employees for any inconvenience or disruption.

## **6.2 Payment of Subsistence Allowances**

### **(a) Within the Republic**

Internal allowances/tariffs are paid in accordance with the guidelines issued by the Department of Public Service and Administration.

### **(b) Outside the Republic**

Public Service Regulations, 2001, Chapter 1, Part v, E.2(a) states:

“The Minister may make a determination regarding-

- Special daily allowances for visits abroad by employee.”

Paragraph 8 of the Department of Public Services and Administration’s Financial Manual, dated 16 November 2011, states:

“The expenditure on accommodation and the special allowance indicated in Annexure A of the Financial Manual may be refunded to an employee while on official journey outside the Republic. It must be noted that the amounts mentioned in the Annexure are maximum amounts. It will therefore be advisable to have a departmental policy on the payment of reduced amounts, if any when such expenses is paid from donor funds or by a sponsor of a host or when payment of the maximum is not justified.”

### **(c) Departmental Guidelines**

- i. External allowances/tariffs are paid in accordance with the guidelines issued by the Department of Public Service and Administration read in connection with any directives/circulars issued by KOBDA in this regard.
- ii. External allowances/tariffs shall only be paid from the departure time of the international flight until the arrival time of the flight to the Republic as indicated on the passenger flight ticket.
- iii. When processing claims of this nature, the applicable rate of exchange during the period of absence shall be utilised for calculation purposes.
- iv. Employees may be compensated for their reasonable actual accommodation expenditure (i.e lodging, laundry and dry cleaning) on presentation of original vouchers (cash slips, receipts of payment etc).
- v. Employees may receive a maximum special allowance (as indicated in Annexure A of the DPSA Financial Manual dated 16 November 2011) to compensate an employee for 3 meals and incidental expenses such as tips, room service, reading material and normal liquid refreshments).
- vi. A maximum subsistence allowance equal to 30% of the approved subsistence allowance for a specific country is payable to an employee in cases where the host bears all expenses towards accommodation and meals to compensate the employee for incidental expenses not paid for by the host.

- vii. Expenses shall only be paid on presentation of original vouchers (cash slips, receipts of payment etc).
- viii. Under no circumstances may:
  - A hand-written cheque be issued for a subsistence and travelling advance and/or claim due to inefficiency of departmental officials.
  - Petty cash be utilised for the payment of any subsistence and travelling expenditure.

### **6.3 Subsistence and Travelling Advance Recovery**

#### **(a) Recovery of subsistence and travelling advances**

In terms of Section 38(1)(i) of the PFMA, the Accounting Officer must take effective and appropriate steps to collect all money due to the Department. It has therefore become necessary for the Department to focus more effectively on the management and control of outstanding subsistence and travelling advances.

The following regulations, therefore, serve to address the related recovery procedures:

- i. Advances must be offset against claims for travelling and subsistence within 5 days for the date of return of the employee, to his/her headquarters and the onus for approval by the Programme Manager rests with the claimant.
- ii. In the event of unspent advances, the employee concerned shall refund the unspent advances on the day of return to his/her headquarters.
- iii. If the advance is not utilised due to activities being cancelled, the amount must be refunded within one day of being informed that the activity was cancelled or if the employee cancelled the activity himself/herself within one day of making such a decision.
- iv. The onus rests upon the claimant to ensure that the claim is approved by the relevant Programme Manager and submitted to the Financial Administration Directorate.
- v. The Financial Administration Directorate, dealing with subsistence and travelling claims, shall ensure that the claim has been settled within 30 days of receipt in the spirit of Treasury Regulation 8.2.3.
- vi. In the event of a claim being less than the advance drawn, the person concerned shall, on the day of submission of the claim, repay the difference.
- vii. Failure to settle an advance, within 30 days of return, will result in the outstanding amount being recovered from the employee's next salary payable, in one lump sum including interest levied from the date of payment of the advance, at the interest rate published in the Government Gazette.
- viii. Should an employee's monthly salary not cover the total advance outstanding, it will be recovered in installments from his/her salary, including interest levied from the date of payment of the advance, at the interest rate published in the Government Gazette.

- ix. In the spirit of the Administrative Justice Act, an employee will be informed in writing if an instruction has been issued for recovery of outstanding claims against his/her salary due to lack of submission of claims.

**(b) Prescription Act**

In terms of Section 11(b) of the Prescription Act, 1969 (Act 68 of 1969), the period of prescription for debts of this nature is: "Fifteen years in respect of any debt owed to the state and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor."

**6.4 Official Orders**

In the event of an official order being generated for accommodation and/or meals, on behalf of departmental employees attending a conference, workshop, meeting, training course or any related activity, the relevant Programme Manager shall:

- (a) Ensure that claims for subsistence and travelling submitted by attendees do not include claims for services covered by the order
- (b) Ensure that the tax invoice provided by the service provider does not include any impermissible expense items such as alcohol, telephone costs, laundry etc. Expense items of this nature must be borne by the relevant officials.
- (c) Provide the following details prior to payment of the relevant order:
  - i. Purpose of the activity
  - ii. Duration of the activity (date/s and time/s)
  - iii. List of attendees per day.

**6.5 Management Reporting**

Management information shall be provided by the Director: Financial Management to the Chief Financial Officer regarding the status of the subsistence and travelling control account, by the 15<sup>th</sup> of each month.

**7. RESPONSIBILITIES AND OBLIGATIONS**

Overall responsibility for the implementation of this policy rests with the Chief Financial Officer. Further responsibilities assigned to Programme Managers are outlined in Clause 7 above. In particular, the following responsibilities are highlighted:

**7.1 The employee**

All employees must ensure strict compliance with the policies and procedures relating to subsistence and travelling allowances and incidental expenses. Abuse of the provisions may be regarded as non-compliance with the relevant section in the PFMA and with the Disciplinary Code of Conduct.

**7.2 The Manager**

All managers are responsible for ensuring that:


- (a) Funds are available for subsistence and travelling costs.

- (b) Claimed expenses are justified.
- (c) All aspects of this policy have been complied with prior to payment.
- (d) Employees are reimbursed accurately and promptly for justified expenses incurred whilst on official's journeys.

#### **8. COMMENCEMENT OF THE POLICY**

This policy is effective from the signature date below.

**APPROVED**

  
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**Mr SM Thobakgale**

**Acting Head of Department**

**Date :** 13/05/2013  
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