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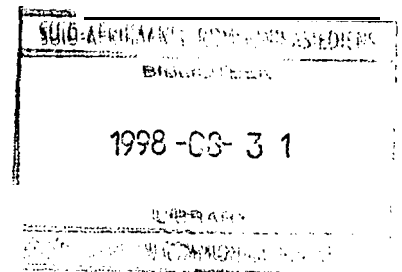
## GENERAL NOTICE

### NOTICE 1609 OF 1998

#### DEPARTMENT OF FINANCE

The draft Treasury Control Bill is published for public comment. This Bill is required by **section 216 (1)** of the Constitution and **eff**ects the national and provincial spheres of government. Certain **sections** may aft act local government (e.g. Chapter 8). To the extent that it is **necessary**, this Bill is published in terms of sections 218 (2), 232, 154 (2) and other sections of the Constitution of the Republic of South Africa. All public entities and enterprises, provincial governments, organized **local** government, municipalities, the FFC, the Auditor General and other interested persons may make written representations with regard to the **draft**. The representations must be sent by mail, e-mail or facsimile to:

**Mr 1. Momoniat**  
**Re: Treasury Control Bill**  
Department of Finance  
Room 2520  
240 **Vermeulen Street**  
Pretoria  
or  
Private Bag X11 5  
Pretoria  
0001  
E-mail: [momoniat@srd02.pwv.gov.za](mailto:momoniat@srd02.pwv.gov.za)  
Facsimile: (012) 323-1585



The representations should reach Mr Momoniat on or before 31 August 1998.

**T. MANUEL**  
Minister of Finance

# **BILL**

## **ARRANGEMENT OF ACT**

<b>CHAPTER 1</b>	INTERPRETATION, OBJECT, APPLICATION AND AMENDMENT
<b>CHAPTER 2</b>	NATIONAL GOVERNMENT
<b>CHAPTER 3</b>	PROVINCIAL GOVERNMENT
<b>CHAPTER 4</b>	BUDGET PROCESS
<b>CHAPTER 5</b>	ACCOUNTING OFFICERS IN NATIONAL AND PROVINCIAL GOVERNMENT
<b>CHAPTER 6</b>	LOANS, GUARANTEES AND INDEMNITIES
<b>CHAPTER 7</b>	UNIFORM TREASURY NORMS AND STANDARDS
<b>CHAPTER 8</b>	ACCOUNTING STANDARDS BOARD
<b>CHAPTER 9</b>	MISCELLANEOUS

# TREASURY CONTROL BILL

To regulate financial management in the national and provincial governments; to ensure that all revenue, expenditure, assets and liabilities in those governments are managed efficiently and effectively; to prescribe the responsibilities of persons entrusted with financial management in those governments ; and to provide for connected matters.

## CHAPTER 1

### INTERPRETATION, OBJECT, APPLICATION AND AMENDMENT OF THIS ACT

#### Definitions

1. (1) In this Act, unless the context otherwise indicates –

“**accounting officer**” means a person mentioned in section 31;

“**Accounting Standards Board**” means the Accounting Standards Board established in terms of section 53 ;

“ **constitutional institution**” means-

- (a) The Public Protector;
- (b) The Human Rights Commission;
- (c) The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities;
- (d) The Commission for Gender Equality;
- (e) The Auditor-General;
- (f) The Electoral Commission;
- (g) The Independent Broadcasting Commission;
- (h) The Financial and Fiscal Commission;
- (i) The South African Reserve Bank;
- (j) The Commission on the Remuneration of Persons Holding Public Office;
- (k) The Pan South African Language Board; and
- (l) The Municipal Demarcation Board;

**“executive authority” -**

- (a) in relation to a national government institution means the Cabinet member who is accountable to Parliament for that institution; and
- (b) in relation to a provincial government institution, means the member of the Executive Council of a province who is accountable to the provincial legislature for that institution,

**“financial year”** means the period commencing 1 April in a year and ending 31 March the next year, except when the institution has a different financial year in terms of legislation and the National Treasury has approved that financial year;

**“generally recognised accounting practice”** means an accounting practice complying with standards issued by the Accounting Standards Board;

**“MEC for finance”** means the member of an Executive Council of a province who is responsible for finance in the province;

**“Minister”** means the Minister of Finance;

**“national department”** means a department, administration or office listed in Schedule 1 or 2 of the Public Service Act, 1994 (Proclamation No. 103 of 1994);

**“national government institution”** means -

- (a) a national department; or
- (b) a board, commission, company, corporation, fund or other entity under the ownership control of the national executive;

**“National Treasury”** means the National Treasury established by section 5;

**“overspending”**, in relation to a vote, means when expenditure under a vote exceeds the amount appropriated for that vote, and “overspend” has a corresponding meaning;

**“ownership control”**, in relation to an entity, means the ability to exercise any of the following powers to govern the financial and operating policies of the entity in order to obtain benefits from its activities:

- (a) to appoint or remove at least the majority of the board of directors or equivalent governing body;
- (b) to cast at least the majority of the votes at meetings of the board of directors or equivalent governing body; or
- (c) to control at least the majority of the voting rights at a general meeting.

**“prescribe”** means prescribe by regulation or instruction in terms of section 52;

**“provincial department”** means –

- (a) a provincial administration listed in Schedule 1 of the Public Service Act 1994; or
- (b) a department within a provincial administration;

**“provincial government institution”** means –

- (a) a provincial department; or
- (b) a board, **commission**, company, **corporation**, fund or other entity under the ownership control of a provincial executive;

**“provincial treasury”** means a treasury referred to in section 19;

**“Revenue Fund”** means -

- (a) the National Revenue Fund mentioned in section 213 of the Constitution;
- (b) a Provincial Revenue Fund mentioned in section 226 of the Constitution;

**“this Act”** includes any regulations and instructions in terms of section 52 and 55;

**“trading entity”** means an entity established by a national or provincial department within its administration for the provision or sale of goods or services, with the approval of the National Treasury;

**“treasury”** means the National Treasury or a provincial treasury;

**“unauthorised expenditure”** means

- (a) overspending on a vote or a limit determined in a vote;
- (b) expenditure not in accordance with the purpose of a vote;
- (c) expenditure not in compliance with legislation; or
- (d) any loss resulting from criminal conduct;

**“vote”** means a vote in terms of a national or provincial budget under which money is appropriated and on which Parliament or a provincial legislature votes.

**Object of this Act**

2. The object of this Act is to secure transparency, accountability, and sound management of revenue, expenditure, assets and liabilities of the institutions to which this Act applies.

**Application of this Act**

3. (1) This Act, to the extent indicated, applies to -

- (a) national and provincial government institutions;
- (b) Parliament and provincial legislatures; and
- (c) constitutional institutions.

(2) In the event of any inconsistency between this Act and any other legislation, this Act prevails.

**Amendments to this Act**

4. Draft legislation directly or indirectly amending this Act maybe introduced in Parliament -

- (a) by the Minister only; or
- (b) only after the Minister has been consulted on the contents of the proposed amendment.

## CHAPTER 2

### NATIONAL GOVERNMENT

#### ***Part 1: Establishment and responsibilities of the National Treasury***

##### **Establishment of National Treasury**

5. (1) There is a National Treasury consisting of –
- (a) the Minister, who is the head of the Treasury; and
  - (b) the national department or departments responsible for financial and fiscal matters.
- (2) The Minister as the head of the National Treasury takes the policy decisions of the Treasury and all other decisions not delegated by the Minister in terms of section 7.

##### **Functions and powers of National Treasury**

6. (1) The National Treasury must –
- (a) develop and implement the macroeconomic and fiscal policy framework;
  - (b) co-ordinate intergovernmental financial and fiscal relations;
  - (c) implement a budget preparation process; and
  - (d) promote and enforce transparency in and effective management of revenue, expenditure, assets and liabilities of the institutions to which this Act applies.
- (2) To the extent necessary to perform its **functions**, the National Treasury may--
- (a) prescribe uniform treasury norms and standards;
  - (b) prescribe an appropriate procurement and provisioning system;
  - (c) enforce these norms and standards in national government institutions;
  - (d) monitor and assess the implementation of these norms and standards in provincial government institutions;
  - (e) assist national and provincial government institutions in building their capacity for efficient, effective and transparent financial management;
  - (f) investigate any system of financial management and internal control in a national or provincial government institution;

- (g) intervene by **taking** appropriate steps, including the withholding of funds in terms of section 216(2) of the Constitution to address a serious or persistent material breach of this Act by a national or provincial government institution; and
- (h) do anything **further** that is necessary to fulfil its responsibilities effectively.

**Assignment of powers and duties to officials of National Treasury.**

7. (1) The Minister may delegate any of the National Treasury's powers in terms of this Act to the head of a department forming part of the National Treasury referred to in section 5, and instruct any such official to perform any of the treasury's duties.

(2) A delegation or instruction in terms of subsection (1) -

- (a) is subject to any limitations or conditions that the Minister may impose;
- (b) may be assigned or issued either to a specific individual or the holder of a specific post;
- (c) may include the power to sub-delegate; and
- (d) does not divest the Minister of the responsibility concerning the exercise of the power or the performance of the duty.

(3) The Minister may **confirm**, vary or revoke any decision taken by an **official** in consequence of a delegation or instruction subject to any vested rights.

**Cash management and banking arrangements**

8. (1) The National Treasury may prescribe a framework for the banking arrangements for institutions to which this Act applies.

(2) **An** institution which in terms of the prescribed **framework** is allowed to open or hold a bank account may only do so with a bank registered in South Africa and approved in writing by the National Treasury after any prescribed tendering procedures.

(3) **Where** the National Treasury deems it necessary, it may allow a bank account or accounts abroad or with a foreign bank, but such approval must be in writing.

(4) **Any** bank which has opened a bank account for an institution to which this Act



applies must disclose information regarding such account when requested to do so by the National Treasury.

- (5) The National Treasury may prescribe a framework for appropriate and effective cash and debt management systems and any investment policy for institutions to which this Act applies.

#### **Annual consolidated financial statements**

9. (1) The National Treasury must –

- (a) prepare consolidated financial statements in accordance with generally recognized accounting practice for each financial year reflecting the financial position, operations and cash flows of the national government institutions, Parliament and constitutional institutions; and
- (b) submit those statements for audit to the Auditor-General within three months **after** the end of the financial year.

- (2) The Minister must submit consolidated financial statements, prepared in accordance with generally **recognised** accounting practice, to Parliament within six months of the end of the financial year to which they relate.

### ***Part 2: National Revenue Fund***

#### **Control of National Revenue Fund**

10. The National Treasury is in charge of the National Revenue Fund and must enforce the provisions of section 213 of the Constitution, namely that –

- (a) all money received by the national government must be paid into the Fund, except money reasonably excluded by this Act or another Act of Parliament; and
- (b) no money may be withdrawn from the Fund, except
- (i) in terms of an appropriation by an Act of Parliament; or
- (ii) as a direct charge against the Fund when permitted by the Constitution, this Act or another Act of Parliament.

**Deposits into National Revenue Fund**

**11. (1)** All money received by the national government must be paid into the National Revenue Fund, except –

- (a) money received by Parliament;
- (b) money received in the ordinary course of its operations by a government business enterprise under the ownership control of the national executive;
- (c) money received by a national department operating a trading entity in the ordinary course of operating the trading entity;
- (d) money received from donor agencies and to be deposited in the Reconstruction and Development Programme Fund.
- (e) money received by the national government in trust for a specific person or category of persons or for a specific purpose; and
- (f) any other money received by the national government which is excluded from payment into the Fund by an Act of Parliament.

(2) Draft legislation which excludes any money from payment into the National Revenue Fund may be introduced in Parliament only after the Minister has been consulted on the reasonableness of the exclusion and has consented to the exclusion.

(3) Money that must be paid into the National Revenue Fund is paid into the Fund by depositing it into a bank account of the Fund in accordance with any prescribed requirements.

- (4) In this section, “government business enterprise” means a statutory body which -
- (a) is a juristic person;
  - (b) has been assigned the financial and operational authority to carry on a business activity;
  - (c) which as its principal business activity provides goods or services to persons other than government; and
  - (d) is financed fully or partially from own sources.

**Withdrawal of exclusions**

12. (1) The National Treasury may withdraw, from a date determined by it, any exclusion granted in terms of section 11(l)(b), (c) or (e) if-

- (a) such exclusion is no longer reasonable within the context of section 213(1) of the Constitution; or
- (b) the Treasury regards the withdrawal of the exemption to be necessary for transparency or more effective and accountable financial management

(2) From the date on which the withdrawal of the exclusion takes effect until the end of the relevant financial year, the National Treasury may transfer money from the National Revenue Fund as a direct charge against the Fund, to the institution affected by the withdrawal of the exclusion, but the amount of the transfer may not exceed the amount that would otherwise have been excluded from payment into the Fund.

**Cash management and banking arrangements for National Revenue Fund**

13. The National Treasury must establish appropriate and effective cash management and banking arrangements for the National Revenue Fund.

**Withdrawals, transfers and investments from the National Revenue Fund**

14. (1) Only the National Treasury may withdraw money from the National Revenue Fund, and may do so only -

- (a) to provide finds that have been authorised -
  - (i) in terms of an appropriation Act passed by Parliament; or
  - (ii) as a direct charge against the National Revenue Fund by the Constitution, this Act or any other Act of Parliament;
- (b) to invest temporarily, in the Republic or elsewhere, money that is not immediately needed;
- (c) to refund money invested by provinces in the National Revenue Fund; or
- (d) to refund money incorrectly paid into or which is not due to the National Revenue Fund.

(2) A payment in terms of subsection (1)(b), (c) or (d) is a direct charge against the National Revenue Fund.

**Use of funds in emergency situations**

**15. (1)** The National Executive may authorize the use of funds from the National Revenue Fund to defray extraordinary expenditure which is not provided for in the current budget and which cannot without serious prejudice to the public interest be postponed until the next budget.

(2) The combined amount of any authorisations in terms of subsection (1) may not exceed two per cent of the total amount appropriated in the annual national budget.

(3) An amount authorized in terms of subsection (1) is a direct charge against the National Revenue Fund until appropriated by an Act of Parliament.

(4) An amount authorized in terms of subsection (1) must -

- (a) be reported to Parliament within 7 parliamentary working days;
- (b) be reported to the Auditor General within 14 days; and
- (c) be attributed to a vote.

(5) Expenditure in terms of subsection (1) must be included in the adjustments budget

## CHAPTER 3

### PROVINCIAL GOVERNMENT

#### *Part 1: Provincial treasuries*

#### **Establishment of provincial treasuries**

16. (1) There is a provincial treasury for each province, consisting of –
- (a) the MEC for finance in the province, who is the head of the provincial treasury; and
  - (b) the provincial department responsible for financial matters in the province.
- (2) An MEC for finance as the head of a provincial treasury takes the policy decisions of the treasury and all other decisions not delegated by the Minister in terms of section 18.

#### **Functions and powers of provincial treasuries**

17. (1) A provincial treasury must–
- (a) plan and prepare the provincial budget;
  - (b) manage the implementation of the provincial budget;
  - (c) exercise revenue, expenditure, asset and liability management and control in the province;
  - (d) ensure that provincial fiscal policies are consistent with national macroeconomic and fiscal objectives; and
  - (e) implement treasury norms and standards prescribed in terms of this Act.
- (2) A provincial treasury may –
- (a) assist provincial government institutions in building their capacity for efficient, effective and transparent financial management;
  - (b) investigate any system of financial management and control applied by a provincial government institution;

- (c) intervene by taking appropriate steps, including the withholding of funds, to address a serious or persistent material breach of these norms and standards by a provincial government institution;
- (d) with the concurrence of the National Treasury, issue treasury norms and standards for provincial government institutions; and
- (e) do anything **further** that is necessary to perform its **functions** effectively,

#### **Assignment of powers and duties by provincial treasuries**

**18. (1) An MEC for finance in a province may delegate any of the provincial treasury's powers in terms of this Act to the head of the department referred to in section 16(1)(b), and instruct such official to perform any of the treasury's duties.**

- (2) A delegation or instruction in terms of subsection (1) -
  - (a) is subject to any limitations or conditions the MEC for finance may impose;
  - (b) may be assigned or issued either to a specific individual or the holder of a specific post;
  - (c) may include the power to sub-delegate; and
  - (d) does not divest the MEC for finance of the responsibility concerning the exercise of the power or performance of the duty.

(3) A MEC for finance may confirm, vary or revoke any decision taken by an official in consequence of a delegation or instruction, subject to any vested rights.

### ***Part 2: Provincial Revenue Funds***

#### **Control of Provincial Revenue Funds**

**19. A provincial treasury is in charge of the Provincial Revenue Fund of a province and must enforce the provisions of section 226 of the Constitution, namely that –**

- (a) all money received by the provincial government must be paid into the Fund, except money reasonably excluded by this Act or another Act of Parliament; and
- (b) no money may be withdrawn from the Fund, except –

- (i) in terms of an appropriation by a provincial Act; or
- (ii) as a direct charge against the Fund when permitted by the Constitution or a provincial Act.

### **Deposits into Provincial Revenue Funds**

**20. (1)** All money received by a provincial government, including its equitable share and grants made to it in terms of section 214 of the Constitution, must be paid into its Provincial Revenue Fund, except –

- (a) money received by its provincial legislature;
- (b) money received by a provincial department operating a trading entity, in the ordinary course of operating the trading entity;
- (c) money received by the provincial government in trust for a specific person or category of persons or for a specific purpose; and
- (d) any other money received by the provincial government and which is excluded from payment into the Fund by an Act of Parliament.

(2) **Draft** legislation which excludes any money from payment into a Provincial Revenue Fund may be introduced in Parliament only after the Minister has been consulted on the reasonableness of the exclusion and has consented to the exclusion.

(3) Money that must be paid into a Provincial Revenue Fund is paid into the Fund by depositing it into a bank account of the Fund in accordance with any prescribed requirements.

### **Withdrawal of exclusions**

**21. (1)** The National Treasury may withdraw, from a date determined by it, any exclusion granted in terms of section 20(1)(b) or (d) if-

- (a) such exclusion is no longer reasonable within the context of section 226 of the Constitution; or
- (b) the National Treasury regards the withdrawal of the exception to be necessary for transparency or more effective and accountable financial management.

(2) A provincial treasury may transfer money from the Provincial Revenue Fund as a direct charge against the Fund, to the institution affected by the withdrawal of the exclusion from the date on which the withdrawal of the exclusion takes effect until the end of the relevant financial year -

- (a) if a provincial Act provides for such a **transfer**; and
- (b) provided that the amount of the transfer does not exceed the amount that would otherwise have been excluded from payment into the Fund.

#### **Withdrawals, transfers and investments from Provincial Revenue Funds**

**22.** (1) Only a provincial treasury may withdraw money from a Provincial Revenue Fund, and may do so only -

- (a) to provide funds that have been authorised -
  - (i) in terms of an appropriation by a provincial Act; or
  - (ii) as a direct charge against the Provincial Revenue Fund by the Constitution or a provincial Act; or
- (b) to refired money incorrectly paid into or which is not due to the Provincial Revenue Fund.

(2) A payment in terms of subsection (1)(b) is a direct charge against the Fund if a provincial Act so provides.

#### **Annual consolidated financial statements**

**23.** (1) A provincial treasury must -

- (a) prepare consolidated financial statements, in accordance with generally recognised accounting practice, for each financial year reflecting the financial position, operations and cash flows of the provincial government institutions and the provincial legislature in the province; and
- (b) submit those statements to the Auditor-General within three months after the end of the financial year.

(2) The MEC for finance of a province must submit the consolidated financial statements, prepared in accordance with generally recognised accounting practice, to the provincial legislature within six months of the end of the financial year to which the statements relate.



## CHAPTER 4

### BUDGET PROCESS

#### Annual budget, timing and introduction

24. (1) Parliament and each provincial legislature must appropriate money for each financial year in an annual budget for the requirements of the state and the province respectively.

(2) The Minister must table the budget for a financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year, as the Minister may determine.

(3) The MEC for finance in a province must table the provincial annual budget for a financial year in the provincial legislature in the prescribed period.

#### National adjustments budgets

25. (1) The Minister may table an adjustments budget in the National Assembly as and when necessary.

(2) An adjustments budget may only provide for -

- (a) adjustments required due to significant or unexpected economic or financial events adversely affecting the fiscal targets set in the annual budget;
- (b) unforeseen and unavoidable expenditure recommended by the National Executive;
- (c) any extraordinary expenditure in terms of section 15;
- (d) the transfer of funds between votes; and
- (e) roll over of unspent funds from the preceding financial year.

#### Provincial adjustments budgets

26. (1) A MEC may table an adjustments budget in a provincial legislature as and when necessary.

(2) An adjustments budget may only provide for-

- (a) unforeseen and unavoidable expenditure recommended by the Provincial Executive within a framework determined by the Minister;

- (b) the transfer of funds between votes;
- (c) to provide for other circumstances as may be prescribed.

(3)The Minister may prescribe the circumstances and the time when an adjustments budget maybe tabled by a province.

#### **Publishing of monthly reports on state of the budget**

27. As soon as practicable after the end of each month of a financial year, but not later than 30 days after, every treasury must publish in the national gazette a Statement of Actual Revenue and Expenditure for that government for the purpose of reporting comparisons between:

- (a) the actual revenue, expenditure and any borrowing up to the end of that month, and for the financial year up to the end of the month; and
- (b) the expenditure broken by votes up to the end of that month, and for the financial year up to the end of the month, as well as the Budgeted estimate for the financial year;
- (c) any other information prescribed by the National Treasury.

#### **Form and content of annual and multi-year budgets**

28. An annual and multi-year budget must be in accordance with a format as may be prescribed, and must in the case of the annual budget at least contain—

- (a) estimates of all revenue to be raised during the financial year to which the budget relates;
- (b) estimates of total current expenditure for that financial year, differentiating between statutory and discretionary;
- (c) estimates of interest and debt servicing charges, and any repayments on loans;
- (d) estimates of capital expenditure for that and future financial years broken down by project or categories as prescribed, and the operating or maintenance costs arising from such projects;
- (e) estimates of all direct charges for that financial year;
- (f) proposals for financing any anticipated deficit allowed in terms of the macroeconomic policy targets and objectives for that financial year;
- (g) an indication of intentions regarding borrowing and other forms of public liability as allowed in terms of this Act and any other Act and that will increase public debt during that and future financial years;
- (h) the projected estimated revenue, expenditure and any borrowing for the previous

financial year that will be ending shortly **after** the budget is tabled; and

- (i) any other details as prescribed.

### **Expenditure before annual budget is passed**

**29.** (1) If an annual budget is not passed before the start of the financial year to which it relates, funds may be withdrawn from the relevant Revenue Fund for the services of the State or the province concerned during that financial year as direct charges against the Fund until the budget is passed.

(2) Funds withdrawn from a Revenue Fund in terms of subsection (1) -

- (a) may be utilised only for services for which funds were appropriated in the previous annual budget or adjustments budget; and
- (b) may not -
  - (i) during the first four months of that financial year, exceed 45 per cent of the total amount appropriated in the previous annual budget;
  - (ii) during each of the following months, exceed 10 per cent of the total amount appropriated in the previous annual budget; and
  - (iii) in aggregate, exceed more than the total amount appropriated in the previous financial year's annual budget.

(3) The funds provided for in subsection (1) are not additional to funds appropriated for that financial year, and any funds withdrawn in terms of that subsection must be regarded as forming part of the funds appropriated in the annual budget for that financial year.

(4) This section does not apply in respect of a province unless a provincial Act provides that the withdrawal of funds in terms of this section is a direct charge against that province's Provincial Revenue Fund.

### **Expenditure to be in accordance with budget**

**30.** Expenditure under a vote in a budget may not exceed -

- (a) the total amount appropriated for that vote; and
- (b) any prescribed expenditure limits within the vote.

## CHAPTER 5

### ACCOUNTING OFFICERS IN NATIONAL AND PROVINCIAL GOVERNMENT

#### Accounting officers

31. (1) Every institution to which this Act applies must have an accounting officer.
- (2) Subject to subsection (3) -
- (a) the head of a national or provincial department must be the accounting officer for the department; and
- (b) the chief executive officer of any other institution must be the accounting officer for that institution.
- (3) The National Treasury may, in exceptional circumstances, approve or instruct that a person other than the person mentioned in subsection (2) be the accounting officer for an institution to which this Act applies.
- (4) If the accounting officer is a party to a performance contract, the provisions of sections 33 to 36 as maybe appropriate are regarded as forming part of that contract.

#### Acting accounting officers

32. When an accounting officer is absent or otherwise unable to perform the functions of accounting officer, or during a vacancy, the functions of accounting officer must be performed by the official acting in the place of that accounting officer.

### *‘Part 1: Responsibilities of accounting officers*

#### Responsibilities of accounting officers

33. (1) An accounting officer for an institution to which this Act applies-
- (a) must ensure that that institution has and maintains an effective, efficient and transparent system of financial management and internal control;
- (b) is responsible for the effective, efficient, economical and transparent use of financial and

- other resources of the institution concerned;
- (c) must take effective and appropriate steps to -
    - (i) collect all revenue due to the institution concerned; and
    - (ii) prevent **wasteful** expenditure, losses resulting from criminal conduct, and expenditure not complying with legislation;
  - (d) is responsible for the management, including the safeguarding, of the assets and the management of the liabilities of that institution;
  - (e) must comply promptly with all **tax**, levy and pension commitments as required by legislation;
  - (f) must not deliberately structure contracts or employment conditions to avoid or delay the payment of tax or levy commitments;
  - (g) must speedily settle intergovernmental claims;
  - (h) must comply, and ensure compliance by the institution concerned, with the provisions of this Act;
  - (i) must take effective and appropriate disciplinary steps against any employee of the institution of state concerned who -
    - (i) contravenes or fails to comply with a provision of this Act;
    - (ii) commits an act which undermines the financial management and internal control system of the institution; or
    - (iii) makes or authorises an unauthorised expenditure;
  - (j) must ensure that before transferring any funds, other than grants in terms of the Division of Revenue Act, to any entity, that entity implements effective, efficient and transparent management and internal control systems; and
  - (k) must enforce compliance with any prescribed conditions if that institution gives financial assistance (including grants-in-aid) to any organisation or person.

- (2) No accounting officer may commit an institution to which this Act applies to any liability, guarantee or indemnity which may require the **future** appropriation of funds, without following the prescribed procedures.

#### **Accounting officers responsibilities relating to budgetary control**

- 34.** (1) The accounting officer of a national or provincial department is responsible for ensuring -
- (a) that **expenditure** of that department is in accordance with the vote of the department, and

(b) that effective and appropriate steps are taken to prevent unauthorized expenditure.

(2) An accounting officer, for the purposes of subsection (1) must –

- (a) take effective and appropriate steps to prevent any overspending of a vote;
- (b) report to the executive authority and, the relevant treasury, any impending –
  - (i) undercollection of revenue due;
  - (ii) shortfalls in budgeted revenue; and
  - (iii) overspending of a vote; and
- (c) comply with any remedial measures imposed in terms of this Act to prevent overspending of a vote.

### **Accounting officers' reporting responsibilities**

35. (1) The accounting officer of an institution to which this Act applies must -

- (a) keep full and proper records of the financial affairs of the institution concerned in accordance with prescribed norms and standards;
- (b) prepare financial statements for each financial year in accordance with generally recognized accounting practice;
- (c) submit the audited statements to the executive authority responsible for that institution;
- (d) include those audited financial statements in an annual report and submit that annual report within four months of the end of the financial year to the relevant legislature;
- (e) is responsible for the submission by the institution of all reports, returns, notices and other information to Parliament, a provincial legislature, an executive authority or a treasury, as may be required by this Act.

(2) The accounting officer must submit the statements referred to in subsection (1)(b), whether audited or not, to the relevant treasury and the Auditor-General within 60 days after the end of the financial year to which they relate.

(3) For the purpose of subsection (1) (b), the accounting officer of a government business enterprise must report in accordance with the legislation establishing that enterprise or the Reporting by Public Entities Act, 1992. However, for the purpose of preparing consolidated financial statements, that accounting officer must provide the relevant treasury with the adjustments required to report on the basis of generally recognised accounting practice.

- (4) The accounting officer of an institution to which this Act applies must prepare monthly financial statements on actual revenue and expenditure in the prescribed format and within 15 days of the end of each month submit to the executive authority and in the case of Parliament, provincial legislatures and national and provincial departments, to the relevant treasury –
- (a) those statements;
  - (b) a projection of expenditure and revenue collection for the remainder of the current financial year; and
  - (c) a summary of the steps that are to be taken to ensure that the projected expenditure and revenue remain within budget.

#### **Information to be submitted by accounting officers**

**36.** An accounting officer must submit to the relevant treasury or any other institution designated by the relevant treasury, such information, returns, documents, explanations and motivations as the relevant treasury may require.

#### **Financial responsibilities of the executive authority**

**37. (1)** Executive authorities of national and provincial departments must exercise their statutory functions and powers within the limits of the funds authorised for those functions and powers.

(2) Any directive by an executive authority of a national or provincial department to the accounting officer of the department having financial implications for the department must be in writing.

(3) If implementation of the directive is likely to result in overspending of the department's vote, the accounting officer will be responsible for any resulting overspending of the vote unless the accounting officer has informed the executive authority in writing of the likelihood of that overspending.

(4) Any decision of the executive authority to proceed with implementation of the directive, must be in writing, and the accounting officer must file a copy of this decision with the National Treasury and the Auditor-General, and if a provincial department is involved, also the provincial treasury.

## ***Part 2: Assignment of functions and powers***

### **Assignment of powers and duties by accounting officers**

**38.** (1) An accounting officer may –

- (a) delegate any of the accounting officer's powers to an official in the relevant national or provincial government institution; or
- (b) instruct any official in that institution to perform any of the accounting officer's duties,

(2) A delegation or assignment in terms of subsection (1) -

- (a) is subject to any limitations and conditions prescribed in terms of this Act or as the relevant treasury in a specific case may impose;
- (b) is subject to any limitations or conditions the accounting officer may impose;
- (c) may be assigned or issued either to a specific individual or the holder of a specific post;
- (d) must be in writing; and
- (e) does not divest the accounting officer of the responsibility concerning the exercise of the power or the performance of the duty.

(3) The accounting officer may confirm, vary or revoke any decision taken by an official in consequence of a delegation or instruction, subject to vested rights.

### **Responsibilities of delegated managers**

**39\*** A manager in a national or provincial government institution to whom a power or duty is assigned in terms of section 38-

- (a) must ensure that the area under the administration of that manager has and operates the system of financial management and internal control in that institution;
- (b) is responsible for the effective, efficient, economical and transparent use of financial and other resources in that area of responsibility;
- (c) must take effective and appropriate steps to prevent unauthorized expenditure and under collection of revenue due;



- (d) must comply with the provisions of this Act; and
- (e) is responsible for the management, including the **safeguarding**, of the assets and the management of the liabilities in that area of responsibility.

### **Responsibilities of all employees of national and provincial government institutions**

**40.** All employees of an institution to which this Act applies-

- (a) must comply with the provisions of this Act;
- (b) must act with probity at **all** times; and
- (c) must discharge their duties in an effective, **efficient** and economical manner.

## ***Part 3: Financial mismanagement***

### **Financial mismanagement**

**41. (1) An** accounting officer commits an act of financial mismanagement if that accounting officer **willfully** or negligently fails to comply with a requirement of sections 33, 34, 35 and 36.

(2) An official of a treasury commits an act of financial mismanagement if that **official** **willfully** or negligently fails to exercise a power or **perform** a duty assigned to the **official** in terms of section 7 or 18.

### **Regulations**

**42. (1)** The Minister must make regulations applicable to accounting officers and treasury officials in the national and provincial governments **prescribing**.-

- (a) the manner and circumstances in which a provincial treasury must report allegations of financial mismanagement to the National Treasury;
- (b) the powers and procedures when investigating any allegations and the matters on which the treasury may regulate;
- (c) the establishment of a disciplinary board to hear and decide a charge of financial mismanagement against an accounting officer provided that a disciplinary **board may only** be established if-

(i) the executive authority that is the employer of the **accounting officer** agrees to the establishment of the disciplinary board;

(ii) no disciplinary proceeding have been instituted against the accounting officer in

respect of such financial mismanagement in terms of any other law;

(d) appropriate procedures to regulate the proceedings of such a **disciplinary board**, including procedures to ensure a **fair** hearing;

(e) the Sanctions such a disciplinary **board** may impose (or recommend) if an accounting officer is found guilty, **which may include** -

(i) a reprimand;

(ii) a fine;

(iii) suspension from **office**;

(iv) demotion;

(v) a recommendation to lay charges for a criminal prosecution;

(vi) a recommendation for dismissal;

(vii) *any* other appropriate sanction; and

(f) any other matters that may facilitate the object of **this** Part.

(2) The National Treasury must without delay report the findings of a disciplinary board to the National Assembly's or relevant provincial legislature's **portfolio** committee responsible for public finance.

(3) Nothing in this Act prevents disciplinary action against an accounting **officer** in terms of the Public Service Act, 1994.

## CHAPTER 6

### LOANS, GUARANTEES AND INDEMNITIES

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#### *Part 1: Loans and guarantees*

##### **General principles**

**43\* (1)** No institution to which this Act applies may borrow money or issue a guarantee, or enter into any contract that commits or may commit a Revenue Fund to any **future** expenditure, unless such borrowing, guarantee or contract is -

- (a) authorised by this Act or any other national legislation;
- (b) in accordance with any prescribed norms and standards; and
- (c) in the case of loans, within the limits as may be set by the National Treasury for each financial year.

(2) Only the following persons may borrow money for or on behalf of a national or provincial government institution-

- (a) a national government institution identified in terms of subsection (4): the chief executive officer of the institution;
- (b) any other national government institutions and constitutional institutions: the **Minister**;
- (c) provincial organs of state: the **MEC** responsible for finance in the province.

(3) A person mentioned in subsection (2) may not delegate the power **conferred** on that person in terms of that subsection.

(4) The Minister may identify specific national government institutions for purposes of subsection (2) (a). A national government institution so identified may borrow money through its chief executive officer but only in accordance with a framework determined by the Minister, which may-

- (a) require prior National Treasury authorisation for any borrowing in foreign currency or on foreign financial markets or any other specific kind of borrowing;
- (b) require the submission to the National Treasury of annual borrowing **programmes**; and
- (c) may deal with other matters as the Minister may regard as relevant.

- (5) A provincial government institution may not borrow money or issue a guarantee denominated in a foreign currency or concluded in a foreign financial market.
- (6) If a person lends money to an institution to **which** this Act applies otherwise than in accordance with this **section**, the state is not bound by the contract concluded between that person and the person acting on behalf of the institution.
- (7) **Any person**, other than a person mentioned in subsection (2), who borrows money for or on behalf of a national or provincial government institution or a constitutional institution is guilty of an **offence** and liable to imprisonment for not more than five years.
- (8) In the event of an inconsistency between this section and any other legislation this section prevails.

## ***Part 2: Money borrowed by national government***

### **Purposes for which Minister may borrow money**

44. The Minister may borrow money in terms of section 43(2) for the following purposes only:

- (a) to finance national budget deficits;
- (b) to refinance maturing debt;
- (c) to obtain foreign currency;
- (d) to maintain credit balances on a bank account of the National Revenue Fund;
- (e) to regulate internal monetary conditions.

### **Signing of loan agreements**

45. The Minister, on conditions determined by the Minister, may authorise another person to sign a loan agreement when the Minister borrows money in terms of section 43(2).

### **Repayments of loans, etc., to be direct charges**

46. The repayment of money borrowed by the Minister in terms of section 43(2), or repaid in

terms of section 48, the interest payable on monies borrowed and any costs associated with such borrowing and approved by the National Treasury, are direct charges against the National Revenue Fund.

#### **Treasury not responsible for fulfillment of obligation resulting from lien over securities**

47. Neither the Minister, nor the National Treasury is responsible for the **fulfillment** of any obligation resulting **from** any **lien**, whether expressed, implied or construed, held over any security issued in terms of this Act, notwithstanding that the Minister or National Treasury was notified of such lien.

#### **Repayment, conversion or consolidation of loans**

48. The Minister may on such terms and conditions as the Minister **may** determine and, when necessary, with the approval and consent of the lender –

- (a) repay any loan prior to the redemption date of that loan;
- (b) convert the loan into any other loan; or
- (c) consolidate two or more loans into an existing or new loan.

#### **Guarantees, indemnities and securities**

49. (1) A Cabinet member, with the written concurrence of the Minister and subject to any conditions approved by the Minister may issue a guarantee, indemnity or security in respect of a financial commitment incurred or to be incurred arising **from** a loan by a national government institution or a constitutional institution.

- (2) Any payment under a guarantee, indemnity or security issued in terms of subsection (1) is a direct charge against the National Revenue Fund and any such payment must in the first instance be defrayed from the **funds** budgeted for the department that is concerned with the issue of the guarantee, indemnity or security in question.

(3) A Cabinet member who seeks the concurrence **from** the Minister for the issue of a guarantee or indemnity in terms of subsection (1) must provide to the Minister all the relevant information as the Minister may prescribe regarding the issue of such guarantee or indemnity and the relevant financial commitment.

(4) The circumstances relating to any payments under a guarantee issued in terms of subsection (1) must be reported to Parliament by the responsible Cabinet member.

(5) The National Treasury must within 60 days **after** the end of a financial year publish a statement in the *national Gazette* containing all relevant details per financial year of commitments in Rand and different foreign currency entered into in terms of subsection (1).

#### **Authority to enter into agreements**

**50.** (1) The Minister may enter into an agreement with-

- (a) a body established pursuant to an internationally concluded treaty to borrow money or intend to borrow money in **fulfillment** of an obligation imposed on such body by that treaty or agreement; or
- (b) a person from whom money is so borrowed in terms of which the obligations of that body in respect of such borrowing is a direct charge against the National Revenue Fund.

**51.** The Minister must by regulation prescribe matters that are to be **dealt** with in connection with the borrowing of money by a national government institution and such matters shall include –

- (a) the issue of a prospectus for any loan raised;
- (b) the appointment of agents in connection with the issue, management, repurchase or repayment of securities issued pursuant to any loan raised ;
- (c) prescribe the interest rate payable on loans made available from the National Revenue Fund or on debt due to national government; and
- (d) any matter which the Minister may regard as relevant.

## CHAPTER 7

### UNIFORM TREASURY NORMS AND STANDARDS

#### Treasury regulations and instructions

52. (1) The National Treasury may make regulations and issue instructions not inconsistent with this Act **concerning**—

- (a) any matter that may be prescribed in terms of this Act;
- (b) the matters for which the prior approval of the Treasury must be obtained, including -
  - (i) any expenditure;
  - (ii) **any** scales of fees, other charges or rates relating to revenue accruing to, or expenditure from, a Revenue Fund;
  - (iii) **the** rendering of any free services;
  - (iv) **the** writing off of losses of State money and other State assets and amounts owed to the State;
  - (v) **the** cancellation or variation of contracts to the detriment of the State;
  - (vi) **the** settlements of claims by or against the State;
  - (vii) **the** waiver of claims by the State;
  - (viii) **remissions** of money due to a Revenue Fund, **refunds** of revenue and payments from a Revenue Fund, as an act of grace;
  - (ix) **gifts** from a Revenue Fund or of other State assets;
  - (x) **the alienation**, letting or other disposal of State assets;
  - (xi) **acceptance** of sponsorships by the State;
  - (xii) **the** acceptance of gifts to the State;
- (c) the recovery of losses and damages;
- (d) the condonation of non-compliance with a provision of these regulations or instructions or a condition in terms of this Act;
- (e) the charging of expenditure against particular votes;
- (f) the handling of, and control over, trust money and property;
- (g) the establishment and control over trading entities;
- (h) the improvement and maintenance of immovable State assets;
- (i) gifts to the State, and assets which accrue to the State by operation of law;
- (j) **wasteful** and unauthorized expenditure;

- (k) financial management and internal control;
- (l) vouchers or other proofs of receipts or payments which are defective or have been lost or damaged;
- (m) the administration of this Act; and
- (n) any other matter that may facilitate the application of **this** Act.

(2) Treasury regulations and instructions may differentiate between –

- (a) different categories of institutions to which this Act applies;
- (b) different categories of accounting officers.

(3) The National Treasury may approve a departure from a Treasury regulation or instruction,



**CHAPTER 8****ACCOUNTING STANDARDS BOARD****Establishment**

**53.** (1) The Minister by regulation must establish an Accounting Standards Board, to set standards of generally recognised accounting practice as required by section 216(1)(a) of the Constitution, for the annual financial statements of-

- (a) national and provincial government institutions;
- (b) Parliament and Provincial Legislatures;
- (c) constitutional institutions; and
- (d) municipalities and a board, commission, company, corporation, fund or other entity under the ownership control of a municipality.

(2) The Board is a juristic person.

**Composition**

**54.** (1) The Minister, **after** consultation with the Auditor-General, must determine the composition of the Board and appoint the members of the Board.

(2) The Board shall establish its own operating procedures.

**Regulations**

**55.** (1) The Minister, after consultation with the Auditor-General, may make regulations -

- (a) concerning the qualifications, remuneration, term of **office** and removal of members of the Board, filling of vacancies, the chairperson of the Board and the operating procedures, finances and administration of the Board;
- (b) prescribing the standards set by the Board in terms of section 53(1); and
- (c) concerning any other matter that may facilitate the proper **functioning** of the Board or the implementation of these standards.

(2) The Minister must consult the Board on the effective date for implementation of a regulation made in terms of subsection (1)(b).

(3) Regulations made in terms of subsection (1)(b) may differentiate between different categories of institutions to which these regulations apply.

**CHAPTER 9****? MISCELLANEOUS****Exemptions**

**56** The Minister by notice in the Government Gazette may exempt any institution to which this Act applies, or any category of such institutions, from any specific provisions of this Act for a period determined in the notice.

**Transitional provisions**

**57.** Until the Accounting Standards Board mentioned in section 53 is established the National Treasury may perform the **functions** of the Board.

**Repeal of Laws**

**58.** The laws mentioned in the schedule are repealed to the extent mentioned in the third column.

**Short title and commencement**

**59.** This Act is called the Treasury Control Act, 1998, and takes effect on 1 April 1999, except those provisions determined by the Minister by notice in the Government Gazette which will take effect on a date determined in the notice, but which may not be a date later than 1 April 2003.

## Schedule

(LAWS REPEALED)  
(Section 58)

No. and year of act	Short title	Extent of repeal
Act No. 66 of 1975	Exchequer Act, 1975	The whole, except sections 28, 29, 30
No. 106 of 1976	Financial Arrangements with the Transkei Act, 1976	The whole
No. 93 of 1977	Financial Arrangements with Bophuthatswana Act, 1977	The whole
No. 105 of 1979	Financial Arrangements with Venda Act, 1979	The whole
Proclamation No. R.85	South-West Africa Constitution Act, 1968 (Act No. 39 of 1968)	Part 3
No. 67 of 1980	Railways and Harbours Acts Amendment Act, 1980	Section 19
No. 29 of 1981	Railways and Harbours Acts Amendment Act, 1981	Section 21
No. 118 of 1981	Financial Arrangements with Ciskei Act, 1981	The whole
No. 100 of 1984	Exchequer and Audit Amendment Act, 1984	Schedule 2 Part 6 of the Act insofar as relates to the Exchequer Act, 1975 sections 14, 15 and 16
No. 9 of 1989	Legal Succession of the South African Transport Services Act, 1989	The whole
Act No. 120 of 1991	Finance Act, 1991	The whole
No. 96 of 1992	Part Appropriation Acts Abolition Act, 1992	The whole
No. 69 of 1993	Exchequer Amendment Act, 1993	The whole
No. 123 of 1993	Finance Act, 1993	The whole
No. 142 of 1993	Exchequer Second Amendment Act, 1993	The whole
No. 182 of 1993	Exchequer Third Amendment Act, 1993	The whole
Act No. 41 of 1994	Finance Act, 1994	Sections 17 and 18
b) Act No. 66 of 1975	Exchequer and Audit Act, 1975	The whole insofar as it is in force "in" the area of the former Republic of Transkei
Act No. 102 of 1976	Finance Act, 1976	Sections 23, 24 and 25 insofar as it is in force in the area of the former Republic of Transkei
c) Act No. 29 of 1992	Exchequer Act, 1992	The whole
(Bophuthatswana)	Exchequer Amendment Act, 1993	The whole
Act No. 16 of 1993 (Bophuthatswana)		

(d)	Act No. 66 of 1975	Exchequer and Audit <b>Act</b> , 1975	The whole insofar as it is in force in the area of the former Republic of Venda Sections 9, 10 and 11 insofar as it is in force in the area of the former Republic of Venda Sections 12, 13 and 14 insofar as it is in force in the area of the former Republic of Venda Sections 16 and 17 insofar as it is in force in the area of the former Republic of Venda The whole The whole The whole The whole
	Act No. 111 of 1977	Finance Act, 1977	
	Act No. <b>94</b> of 1978	Finance Act, 1978	
	Proclamation No. R.85 of 1979	Exchequer and Audit <b>Proclamation</b>	
	Act No. 21 of 1983 (Venda)	Exchequer and Audit Amendment Act, 1983	
	Act No. 18 of 1987 (Venda)	Exchequer and Audit Amendment Act, 1987	
	Act No. 28 of 1989 (Venda)	Exchequer and Audit Amendment Act, 1989	
	Proclamation No. 25 of 1993 (Vends)	Exchequer and Audit Amendment Act, 1993	
(e)	Act No. 28 of 1985 ( <b>Ciskei</b> )	Exchequer and Audit <b>Act</b> , 1985	

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## **MEMORANDUM ON THE OBJECTS OF THE TREASURY CONTROL BILL, 1998**

### **1. INTRODUCTION**

The Treasury Control Bill, 1998, gives effect to sections 213,215,216,217,218 and 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996). These sections require national legislation: to establish a National Treasury, to introduce generally recognised accounting practices, to introduce uniform treasury norms and standards, to prescribe measures to ensure transparency and expenditure control in all spheres of government, and to set the operational procedures for borrowing, guarantees, procurement and oversight over the various National and Provincial Revenue Funds.

### **2\* CURRENT POSITION**

2.1 National departments are governed by the Exchequer Act (No 66 of 1975), whilst provinces are governed by their own provincial Exchequer Acts. Other national entities like public enterprises are governed by their own legislation.

2.2 Financial accountability is undermined by the fact that different legislation applies for different entities. Further, existing legislation regulating financial management is narrowly focused on expenditure control.

### **3. BACKGROUND AND APPROACH**

3.1 The Treasury Control Bill gives effect to section 216 ( 1 ) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), which requires national legislation to “establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing -

- (a) generally recognised accounting practice;
- (b) uniform expenditure classifications; and
- (c) uniform treasury norms and standards”.

3.2 The Bill also gives effect to other sections in Chapter 13 of the Constitution. These sections are:

- (a) Section 213 that limits exclusions and withdrawals from the National Revenue Fund through an Act of Parliament.
- (b) Section 215 which notes that budgets and the budgetary process “must promote transparency, accountability and the effective financial management of the economy, debt and the public sector” and for national legislation to “prescribe” budget formats for all the spheres of government.
- (c) Section 217 on procurement to be “in accordance with a system which is fair, equitable, transparent, competitive **and** cost-effective”.
- (d) Section 218 on the conditions for the issue of guarantees by a government in any sphere.
- (e) Section 226 that limits an exclusion from a provincial revenue fund through an Act of Parliament.
- (f) Sections 100 and 216 on intervention by the national government when an organ fails to perform an **executive function related to financial management, circumstances under which funds may be withheld.**

**3.3 The Bill adopts an approach to financial management which focuses on outputs and responsibilities rather than the rule-driven approach of the current Exchequer Acts.**

**3.4 This Bill assumes that the political head of a department (Cabinet Minister or a provincial MEC) is responsible for policy matters and outcomes; this includes seeking Parliamentary (or provincial legislature) approval and adoption of the line-function budget vote. The head official (Director-General of a national department or provincial head of department) is responsible for outputs and implementation% and is accountable to Parliament for the financial management in the implementation of that budget. This approach is in line with the approach of the new Public Service regulations, which relies on a performance-driven system based on measurable outputs.**

3.5 The **Bill** is part of a broader strategy on improving financial management in the public

sector. The Bill itself assumes a phased approach towards improving the quality of financial management in the public sector. This Bill lays the foundation for the first phase, as it focuses on the basics of financial management, like the introduction of proper financial management systems, appropriation control and the accountability arrangements for the management of budgets.

Subsequent phases will focus on the efficiency and effectiveness of programmed and best-practice financial management - these can only be systematically introduced after the basics of financial management are in place.

**3.6** This Bill will replace or override the national and provincial Exchequer Acts, and supersede any other financial management provisions in other Acts.

## **4. KEY POLICY ISSUES**

### **4.1 Composition of the National Treasury**

The National Treasury comprises of the Minister together with the Departments of Finance and State Expenditure. The Minister is the head of the Treasury.

### **4.2 Powers of the National Treasury**

The Constitution confers extensive powers on national government to determine the financial management **framework** over all organs of state, in all spheres of government. National government must, through national legislation, determine uniform treasury norms and standards.

The National Treasury is **further** expected to monitor and enforce these norms. The National Treasury, therefore, not only implements the budget of the national government, but plays an oversight role over the practices of other organs of state in all spheres of government.

### **4.3 Establishment of Provincial Treasuries - their Role and Function**

This Bill establishes provincial treasuries, which are responsible for preparing and managing provincial budgets, and enforcing uniform treasury norms and standards as prescribed by the National Treasury and this Act.

### **4.4 Application of this Act**

**This Bill** gives effect to section 216 and other sections of the Constitution. This Bill will apply to

the national and provincial spheres, and some entities under their ownership control. Parliament, provincial legislatures and independent institutions established by the Constitution are also covered in this Bill.

#### **4.5 The Chain of Financial Accountability**

An important objective of this Bill is to put in place a more effective financial accountability system by clarifying roles and responsibilities. The head of a **department** will be accountable to Parliament for **all** entities under the ownership control of that department. The accounting officers of entities other than national or provincial departments will, therefore, be accountable to the head of a department, and to Parliament, via such a head.

#### **4.6 Responsibilities of Accounting Officers**

This Bill confers specific responsibilities on accounting **officers**. The Bill vests four key responsibilities, which are:

- (a) the operation of basic financial management systems, including internal controls in departments and any entities they control;
- (b) to ensure that departments do not overspend their budgets;
- (c) to report on a monthly and annual basis, including the submission of annual financial statements two months **after** the end of a financial year; and
- (d) to publish annual reports in a prescribed format which will introduce performance reporting.

Accounting **officers** who are negligent and make no effort to comply with these responsibilities will face strict disciplinary sanctions, including dismissal. Similar sanctions will apply to treasury officials failing to carry out their responsibilities. The new Public Service Act regulations and the trend towards **performance** contracts will complement this approach.

#### **4.7 Improved information and timely submission of financial statements**

The Bill aims to address the problem of the late submission of financial statements within government, to comply with the constitutional obligations for generally recognised accounting practices and greater transparency, and to improve financial management and accountability through better and more timely information flows.



## 5. SUMMARY OF BILL

*Chapter One* of the Bill deals with **definitions**, objects, application and amendment of this Bill. The Bill will apply to national and provincial government institutions, which includes national and provincial departments, and the entities under their ownership control. Key definitions to note are those of ownership **control**, government enterprises, and unauthorised expenditure. A procedure to amend this Bill is included and is intended to prevent other Acts of Parliament from amending or inadvertently by-passing the provisions of this Bill.

*Chapter Two* of the Bill establishes the National Treasury, deals with its composition **functions**, powers and responsibilities. The National Treasury is comprised of the Minister and the Departments of Finance and State Expenditure. The Minister is empowered to delegate the day-to-day operations of the Treasury to the heads of the two departments. The National Treasury is empowered to develop the overall macroeconomic and fiscal **framework**, coordinate intergovernmental **fiscal** relations and the budget-preparation process, manage the implementation of a budget and promote and enforce revenue, asset and liability management. The National Treasury is also empowered to determine a banking and cash management **framework**, and is empowered to require banks to provide information on the banking accounts of national and provincial institutions. The chapter also gives **effect** to sections 213 of **the** Constitution on the management of the National Revenue **Fund**, any exclusions to depositing money received, and the authorization required before any expenditure.

*Chapter Three* establishes provincial treasuries and deals with their **composition**, powers and **functions**, and the management of provincial revenue **funds**.

*Chapter Four* on the Budget process gives effect to section 215 of the constitution on the timing and content of national and provincial budgets, and the reporting requirements that will promote greater transparency in the implementation of a budget.

*Chapter Five* ensures that all national and provincial institutions and entities have **accounting-officers**, and spells out their responsibilities, and the disciplinary sanctions that will apply in the event of negligence in fulfilling these responsibilities. This chapter obligates accounting officers to produce monthly and annual financial reports for their political heads (executive authority), and outlines the responsibilities for political heads and accounting officers to prevent overspending on budgets.

**Chapter Six** of the Bill outlines general principles on borrowing and the issuing of guarantees. This chapter gives effect to section 218 of the Constitution on the issuing of guarantees. The chapter also regulates the borrowing operations of the national government, and determines the person who can borrow on behalf of any national or provincial government entity.

**Chapter Seven** of the Bill lists the areas over which the National Treasury is empowered to issue uniform norms and standards.

**Chapter Eight** establishes an Accounting Standards Board which will have the power to determine the generally recognised accounting practices for the public sector.

**Chapter Nine** deals with transitional and other miscellaneous issues related to the implementation of this Bill and when it takes effect. Some of the provisions of the Bill cannot be implemented immediately, and could take up to five years to implement fully (eg the sections relating to consolidated financial statements). The transitional arrangements will allow the Minister to phase in such provisions.

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## CONTENTS

<i>No.</i>	<b>CONTENTS</b>	<i>Page Gazette No. No.</i>
	GENERAL NOTICE	
<b>Finance, Department</b> o f		
General <i>Notice</i>		
1609 Treasury Control Bill: For written representations .....		1.....19152

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