

# OFFICE OF THE PREMIER



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## TRANSFER PAYMENT POLICY AND PROCEDURES

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## 1 Definition of Terms

Transfers include all **unrequited payments** made by the government unit to another institutions, businesses and individuals; it does not constitute final expenditure by the department. A payment is unrequited provided that the government unit does not receive anything directly in return for the transfer to the other party. Subsidies are unrequited payments that government makes to public corporations and private enterprises, these payments usually have a direct policy outcome.

In this policy, unless the context indicates otherwise, the following word means:

**Transfer payment:** means **unrequited transactions/payments** to another institutions, businesses and individuals are made without any exchange of goods or services to the beneficiary.

## 2 Purpose

The purpose of this policy is to give clear guidance to all employees on the identification, recording, disclosure and treatment of unrequited payment of the department according to the requirements of the PFMA.

## 3 Relevant Legislation

<b>S 38(1)(i) (PFMA)</b>	when transferring in terms of the annual Division of Revenue Act, must ensure that the provisions of that Act are complied with;
<b>S 38(1)(j) (PFMA)</b>	before transferring any funds (other than grants in terms of the annual Division of Revenue Act or to a constitutional institution) to an entity within or outside government, must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient

	and transparent financial management and internal control systems;
<b>TR 8.4.1</b>	<p>An accounting officer must maintain appropriate measures to ensure that transfers and subsidies to entities are applied for their intended purposes. Such measures may include-</p> <ul style="list-style-type: none"> <li>(a) regular reporting procedures;</li> <li>(b) internal and external audit requirements and, where appropriate, submission of audited statements;</li> <li>(c) regular monitoring procedures;</li> <li>(d) scheduled or unscheduled inspection visits or reviews of performance; and</li> <li>(e) any other control measures deemed necessary.</li> </ul>
<b>TR 8.4.2</b>	<p>An accounting officer may withhold transfers and subsidies to an entity if he or she is satisfied that-</p> <ul style="list-style-type: none"> <li>(a) conditions attached to the transfer and subsidy have not been complied with;</li> <li>(b) financial assistance is no longer required;</li> <li>(c) the agreed objectives have not been attained; and</li> <li>(d) the transfer and subsidy does not provide value for money in relation to its purpose or objectives.</li> </ul>
<b>TR 8.4.3</b>	<p>Treasury Regulations 8.4.1 and 8.4.2 do not apply to transfers and subsidies to other countries, international bodies, to other bodies in terms of economic and financial agreements and to levies and taxes imposed by other levels of government and which are classified as transfers and subsidies in the budgets of departments. Transfers and subsidies in respect of levies and taxes imposed by other levels and entities of government are governed by section 38(1)(e) of the Act.</p>
<b>TR 8.4.4</b>	<p>Transfers and subsidies to other countries, international bodies, other bodies in terms of economic and financial agreements and transfers and subsidies to other levels and entities of government for purposes of paying levies and taxes imposed by legislation are exempt from the written assurance, as</p>

	required by section 38(1)(j) of the Act.
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## 4 Objectives

The objectives of the policy include:

- ensuring that employees have a clear and comprehensive understanding of the procedures they must follow for unrequited payment expenditure transactions;
- ensuring that the Department's resources are managed in compliance with the Public Finance Management Act, the Treasury Regulations and other relevant legislation;
- ensuring that the payment is processed and recorded correctly;
- ensuring that all relevant documentation is attached before any payment is made.

## 5 Transfer payments done by OTP

The types and procedures for the treatment of Transfer payment expenditure are described below:

### 5.1 Transfers to non-profit institutions

**Crucial point:** The Office of the Premier (OTP) does not have public entities, as defined in section 1, chapter 1 of the PFMA, reporting it. OTP has two trusts incorporated through the founding trust deeds and registered in the High Court of the Republic of South Africa. The accounting implication of this is that OTP does not make "transfer payments" to public entities. Rather it makes unrequited payments to registered Trusts.

During the 2016-17 financial year, unrequited payments were made to registered Trusts controlled by OTP:

- Premier's bursary trust fund
- Mme Re Ka Thusa trust fund

Documents needed for the transfer of funds:

- Audited accounts of the prior financial year;
- Business plans; and
- Performance reports (e.g. bi-annual or quarterly).

## **5.2 Public Corporations and Private Enterprises**

Unrequited payments to public and private enterprises are accounted for in terms of the relevant SCOA items.

Documents needed for the transfer of funds:

- Memo stating the business case for the unrequited payments.
- Transfer Agreement between the Department and Private Enterprise or Public Corporation with clear specification for what the funds are going to be used for.
- Business plan from the Private Enterprise or Public Corporation

## **5.3 Households**

A lump sum payment in lieu of any accumulated / capped leave. Relevant SCOA accounts are used.

## **6. Financial reporting**

### **6.1. Management accounting issues**

Budget for these payments is appropriated as an earmark from Provincial Treasury.

## **6.2. Financial Accounting issues**

6.2.1. The BAS accounting entries used to record these transactions is TRANSFERS AND SUBSIDIES.

6.2.2. Transfer Payments is recognised as expenditure in the Notes to the Annual Financial Statements and in the relevant Annexures to the Annual Financial Statements .

6.2.3. These payments will trigger related party disclosure notes in the accounts guided by Modified Cash Standard.

Since trusts are not public entities as defined in the section 1, chapter one of the PFMA, unrequited payments made to aforesaid trusts attracts a lot of “PUBLIC INTREST”. This public interest is evidenced by some of the trusts being taken to courts over the use payments made to them. The disclosures relating to payments to these trusts in the financials will therefore be comprehensive enough to take into account the issue of “public interest”, transparency e.t.c to the users.



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**OFFICE OF THE PREMIER**

**REVIEW OF TRANSFER PAYMENT POLICY AND PROCEDURES IN 2016/2017  
FINANCIAL YEAR: OFFICE OF THE PREMIER**

This serves to confirm that the departmental Transfer Payment Policy and Procedures was reviewed during the current financial year to ensure it is updated with appropriate developments in legislation/prescripts.

New additions and deletions were made in this policy.

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**BEKEBEKE  
DIRECTOR- GENERAL**

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**DATE**