

the dr&pw

Department:
Roads and Public Works
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

DEPARTMENTAL POLICY ON ENTERTAINMENT ALLOWANCE

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1. DEFINITIONS

AC	Accounting Officer in terms of the PFMA
CFO	Chief Financial Officer
Department (DR&PW)	Department of Roads and Public Works
Entertainment Allowance	with regards to this policy, it means, funds set aside by the Department for entertaining clients and visitors with the sole purpose of achieving aims and objectives of the Department.
HOD	Head of Department
Official	Person who has been appointed, notwithstanding that such appointment may be on probation, to a post contemplated in section 8(1)(b) or 8(3)(c) of Public Service Act.....
PFMA	Public Finance Management Act, Act 1 of 1999 as amended
Qualifying official	with regards to this policy, only official of the following ranks <ul style="list-style-type: none"> i. Head of Department ii. Chief Financial Officer iii. Executive Manager iv. General Manager
Programme Managers	Means Senior Managers appointed by the Accounting Officer to manage a specific programme
Responsibility Manager	Means Managers responsible for a specific unit
Unauthorized persons	Means people who are not employees of the department.

2. INTRODUCTION

- 2.1. The Department of Roads and Public Works intends to promote economic, efficient and proper use of entertainment allowance in incurring entertainment expenditure through the development of this policy.
- 2.2. The regulation and management of entertainment allowance is the prerogative of department's executive authority.
- 2.3. Granting of entertainment allowance to qualifying officials enhances executives' productive capacity and is to be used primarily for business purposes.
- 2.4. The department reserves the right to grant, restrict and withdraw, at its sole discretion and with regards to any of its qualifying officials; the aforementioned privileges in respect of this fringe benefit as and when necessary in order to accommodate the operational requirements of the department.
- 2.5. Abuse of the entertainment allowance is an offence and any qualifying official who is found to have misused or abused this benefit; disciplinary action will be taken against that qualifying official.

3. REGULATORY FRAMEWORK

- 3.1. The Constitution of the Republic of South Africa (Act No. 108 of 1996), section 215 and 217,
 - 3.2. The Public Finance Management Act no.1 of 1999; (as amended)
 - Section 38 dealing with general responsibilities of accounting officers and specifically subsection 38 (1)(a)(i), 38(1)(b),38(1)(d),38(1)(h) and
 - Section 45 dealing with the responsibilities of other officials.
 - 3.3. Treasury Regulations issued in terms of the Public Finance Management Act; 1999, Section 8.2.2; 10.1.1 and 10.1.2.
 - 3.4. Prevention and Combating of Corrupt Activities Act, No 12 of 2004
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4. OBJECTIVE

This policy is formulated in order:-

- 4.1. To establish an efficient system of internal controls over the entertainment allowance by preventing and detecting fruitless and wasteful expenditure and unauthorised expenditure, consistent with the requirement of section 51(1)(b)(ii) and 53(4) of the PFMA; and
- 4.2. To establish principles and guidelines as to what would constitute normal and acceptable behaviour in relation to gifts and entertainment, and as to what would be regarded as unethical, criminal or contrary to good corporate governance and behaviour..

5. PRINCIPLES, VALUES AND PHILOSOPHY

This policy is intended to reflect the department's commitment to the principles, goals and ideals described in the department vision and core values.

It also establishes the framework whereby qualifying officials who personally incur expenditure to entertain clients, customers, suppliers, members of community and colleagues for the purpose and objectives of the Department, can recover such expenditure from the Department.

It is to be understood and interpreted against the background of the Prevention and Combating of Corrupt Activities Act, No 12 of 2004 ("the Act").

"The Act" states that any person who gives or accepts (or attempts to do so) any "gratification" for himself or another in order to act, or induce anyone else from acting, in a manner that amounts to any illegal, dishonest, unauthorised or biased conduct, or the abuse of a position of authority, or is designed to achieve an unjustified result, or is in breach of trust, or in breach of a set of rules, or to act in any unauthorised or improper manner, is guilty of corruption. "Gratification" has an extremely wide definition and includes money, gifts, donations, loans, fees, release from an obligation and any other advantage of whatsoever nature.



The underlying principle espoused in the Act is that anything which is given or received with the intention "to improperly induce" is illegal.

The Act states that if the receipt or providing of the gratification is proved and no lawful excuse for the receipt or giving thereof can be substantiated, then it is deemed that the giving or receipt has taken place in order to achieve the conduct prohibited by the Act, i.e. the "improper inducement".

No gifts and/or entertainment may be provided unless the prior approval of the person whose approval is required, has been obtained. Where this is not possible, depending on the particular circumstances, such approval must be obtained at the earliest possible opportunity after the gift and/or entertainment has been provided.

Where entertainment is provided without prior approval, and such approval is subsequently refused, the Department will not be liable for the cost of such entertainment and, to the extent that it has already been paid for by the Department, it will be recovered from the official concerned.

No gifts and/or entertainment should be offered, directly or indirectly, in connection with any political gathering, affiliation or contribution, save as allowed in terms of statute (acts, laws and regulations) and subject to the requirements of any such statutes. This is to be understood in its widest sense and includes, without limitation, local, regional or national fundraising dinners, banquets, raffles, or any funds or gifts which could be routed, directly or indirectly, to a political candidate, party committee or organisation, or in support of a political movement.

From the inference above; it is evident that Prevention and Combating of Corrupt Activities Act outlaws the improper inducing or the attempt to do so, of anyone in connection with the awarding of a contract or tender or the fixing of prices. These also constitute prohibited practices in terms of the Competition Act, 1997, as amended.

The Act prescribes penalties ranging from five times the value of the corrupt activity to prison sentences ranging between five years and life imprisonment to offenders.

All entertainment allowance will be processed and handled according to the guidelines below.



6. SCOPE AND APPLICABILITY

6.1. This policy applies to the following categories of employees, including employees on fixed term contracts:-

- I. Head of Department / Accounting Officer
- II. Executive Managers; and
- III. General Managers

7. PROCEDURES

7.1. Qualifying Officials

- Officials shall qualify for entertainment allowance in accordance with the following schedule:-

Official Rank	Limit Per Annum
Accounting Officer	R 6,000.00
Executive Managers	R 3,000.00
Senior Management Service (SMS)	R 2,500.00

7.2. Claims Process

7.2.1. The entertainment allowance will mainly be used to defray expenses incurred by the Department's qualifying officials in entertaining their clients and colleagues during official meetings or visits inside or outside the Department premises. The objective of the meeting should be directly related to the achievement of the Department's aims and objectives;

7.2.2. A claim with fully detailed motivation should be prepared by qualified official and submitted to the relevant supervisor for approval. A detailed expenditure report with the allocated budget and expenditure to date must be attached to the submission to confirm the availability of funds. All original documentation must be kept on file for audit purposes. An example of such expenditure appears on appendix A hereto;

7.2.3. A Reimbursement for Entertainment Allowance Claim form must be completed and approved by an appropriate delegated official. All original source documentation; e.g. receipts and/or invoice must be attached to the claim, without which the claim will be disallowed. The claim form appears as Appendix B hereto;

7.2.4. No reimbursement will take place without an original or a certified copy of proof of payment.

7.2.5. A claim form should be accompanied by a detailed motivation for entertainment, bearing the reason for such entertainment;

7.2.6. All relevant forms need to be attached relating to this policy document;

7.2.7. The following documents should at least constitute the entertainment allowance claim voucher

7.2.7.1. Entertainment Allowance Expenditure Report – referred to in paragraph 7.2.2 above;

7.2.7.2. Entertainment Allowance Budget Report – referred to in paragraph 7.5.(f) below;

7.2.7.3. Reimbursement for Entertainment Allowance Form – referred to in paragraph 7.2.3 above; and

7.2.7.4. Source documents – referred to in paragraph 7.2.3 above.



7.3. Allowable Entertainment Expenses include the following:-

- a) Meals or refreshments on official meeting held outside or inside of the Department's building with colleagues, foreign delegates, and persons in or outside of the public sector;
- b) Serving of tea and beverages during official meeting;
- c) Purchase of meals for Department's officials during authorized overtime provided the closing time is later than 20h00;
- d) The exact nature of the entertainment expenditure is ordinarily not determinable at the commencement of the financial year whilst the budget is being prepared; as opposed to, for example, the year-end function expenditure, which should be entered in the annual budget of the Department as an item on its own.

7.4. Allowable Entertainment Expenses exclude the following:-

- a) Private entertainment;
- b) Tea clubs;
- c) Purchasing of flowers and gifts;
- d) Purchasing of alcoholic beverages; and
- e) Any expenditure in violation of the law.

7.5. Approval Process

- a) The claim for reimbursement for each qualifying official, or any other expenditure, shall be approved by the official to whom the qualifying official reports or the official who supervises the qualifying official;
 - b) The entertainment allowance expenditure for the qualifying official shall be approved by his/her supervisor prior or immediately after its incurrence provided that such supervisor occupies a position similar or higher than the qualifying official; and
-



- c) A written approval of the CFO shall be obtained in cases where a need arises to increase the above set limit of a qualifying official.

7.6. Budget Allocation and Control

- (a) The entertainment amount must be budgeted for; annually by the Programme Managers as part of operational activities;
 - (b) The entertainment allocation will be reviewed annually by the AC and/or CFO; as part of the budget formulation process;
 - (c) Entertainment expenditure can be budgeted for by reflecting entertainment expenditure as a separate item on the budget or by increasing various items in the budget but not reflecting the expenditure separately;
 - (d) No overspending will be allowed; prior arrangements should be made to increase the allocated amount. The AC and/or CFO will approve the increase;
 - (e) The increase should not cause the total Provincial Treasury approved budget for the Department for the year to be exceeded, as this would require another Provincial Treasury approval and would adversely affect the image of the Department's financial management practices; and
 - (f) Programme Managers and the qualifying official must keep proper records of entertainment expenditure in order to avoid overspending. Such a record should be attached to every claim for reimbursement, and should reflect the balance allocation prior to such claim. An example of such a record, called Entertainment Allowance Budget Report – appears as per Annexure B hereto.
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7.7. Monitoring and Evaluation

Major Control Elements

- (a) Programme managers should prepare an annual budget for their programmes in the Medium Term Expenditure Framework and ensure monitoring thereof;
 - (b) Prior approval is granted before the qualifying official embarks on an entertainment journey pursuant to the achievement of the departmental goals and objectives;
 - (c) Prior approval should be obtained before a qualifying official exceeds his/her entertainment allowance limit for the period budgeted for;
 - (d) Reimbursement claims should be accompanied by valid proof of purchase and payment ;and
 - (e) Only allowable entertainment expenses can be reimbursed.
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7.8. Summary of the Process Flow for the above Procedures

Step	Input	Mechanism/Activity /Responsibility	Output	Position	KPI
1	Budget Allocation	Setting up a budget for all qualifying official within the programme	Entertainment allowance budget	Programme managers	Budgeted entertainment allowance
2	Submission of Entertainment Allowance Allocation	Review an approval of entertainment allocations	Approved entertainment allocations	AC or CFO	Approved entertainment allowance
3	Entertainment Allowance	Entertainment of clients where the need arises	Entertainment expense	Qualifying official	Entertainment expense claim
4	Reimbursement claim, submission and forms	Completion and submission of entertainment submission and claim forms	Duly completed reimbursement claim forms	Qualifying official and supervisor	Valid, accurate and complete submission and claim form
5	Submission of duly completed claim forms and motivations	Review and approval or rejection of claim forms and motivation	Approved for payment claim form	Relevant supervisor	Valid, accurate and complete submission and claim
6	Submission of approved claim for payment	Payment of claim	Paid claim form	Payments section	Settlement of Department obligations

The above depicts a typical process flow for the management and administration of the entertainment allowance budget, expenditure and payment cycle.

7.9. Total Prohibition

- The giving, receipt of or participation in any gift or entertainment which is intended to achieve a result which would not have been achieved was it not for the said gift or entertainment or which amounts to any unauthorised or improper inducement for someone to do or not to do anything, is totally prohibited, irrespective of the size of the gift or entertainment concerned. In other words, a gift or entertainment may never be linked, directly or indirectly, to the award of a tender or contract.

7.10. Non-Compliance

- All incidents which are clearly in contravention of this policy or statute or where a reasonable suspicion exists that the relevant prescripts of the legislation have been contravened, should immediately be reported to the immediate superior of the person having knowledge or a suspicion of such incident or to any other superior person as may be appropriate;
 - The qualifying official, and/or Supervisor or both, will be held liable for non-compliance with this policy; and
 - In addition, and irrespective of whether any conduct which breaches this policy constitutes a criminal offence or not, such conduct will be investigated and may give rise to disciplinary action. In view of the fact that any transgression of this policy, irrespective of how small or how big it might be, will be regarded as a serious transgression and a material breach by the transgressor of his or her fiduciary duties to the Department and of his/her employment contract, dismissal from employment may be a justifiable outcome of any disciplinary action.
 - This policy is not a substitution for, and shall apply in addition to, any specific policies on gifts and entertainment adopted by the Department.
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8. ROLES AND RESPONSIBILITIES

8.1. Accounting Officer.

The AC must ensure that internal procedures and internal control measures are in place for payment approval and processing with regards to entertainment allowance. These internal controls should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported, consistent with sections 51, 53(4) and 83 of the PFMA.

8.2. Chief Financial Officer.

The CFO must ensure that:-

- a) The Department has and maintains an effective, efficient and transparent systems of financial management and internal controls on entertainment allowance expenditure, consistent with sections 51, 53(4) and 83 of the PFMA;
- b) All requests to increase the entertainment allowance are evaluated according to predetermined criteria;
- c) Claim form are duly submitted, authorised or rejected;
- d) Entertainment allowance is properly budgeted for.

8.3. Programme Managers.

The Programme managers must ensure that:-

- (a) Budgets are prepared for their respective programmes per annum reflecting provisions for entertainment allowance;
 - (b) Entertainment allowances are monitored against overspending;
 - (c) Entertainment expenditures are incurred in terms of the policy framework;
 - (d) Claim form are duly submitted, authorised or rejected.
-

8.4. Qualifying Officials.

Qualifying employees must ensure that:-

- a) The entertainment allowance allocated to them is utilized effectively and efficiently;
- b) Approval is obtained to increase the entertainment allowance prior spending where the need arises;
- c) No entertainment may be provided unless the prior approval of the person whose approval is required, has been obtained. Where this is not possible, depending on the particular circumstances, such approval must be obtained at the earliest possible opportunity after the entertainment has been provided;and
- d) The relevant memorandum of approval and the requisite documents are submitted with every claim.



9. FINANCIAL RESOURCE AND BUDGETARY IMPLICATION

The Programme / Responsibility Managers of the Department shall submit budgetary requests to be approved by the Accounting Officer, on the recommendation of the Chief Financial Officer, to ensure that all expenses relating to entertainment allowance are budgeted for through the medium expenditure framework.

Entertainment allowance expenditures shall be affordable and remain within the relevant budgets.

The total projected commitment in terms of this policy is _____ per year.

10. POLICY ADOPTION AND REVIEW

- 10.1. This policy is effective from 1 February 2011.
- 10.2. This policy shall be assessed in one year from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect substantial organisational etc. changes at the Department or any change required by law.
- 10.3. Deviations from this policy must be approved by the Accounting Officer.



11. APPROVAL

Approved/ ~~Not approved~~
Comments:

.....
.....
.....
.....

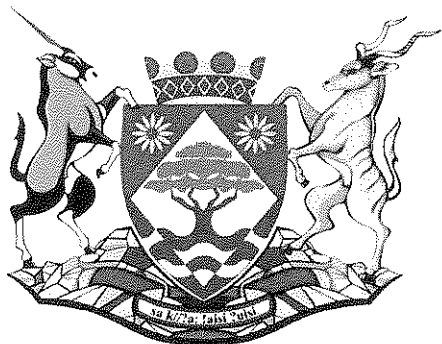


ACCOUNTING OFFICER

16/01/2012

DATE

Appendix A



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Department:
Roads and Public Works
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

ENTERTAINMENT ALLOWANCE EXPENDITURE REPORT

Name:.....

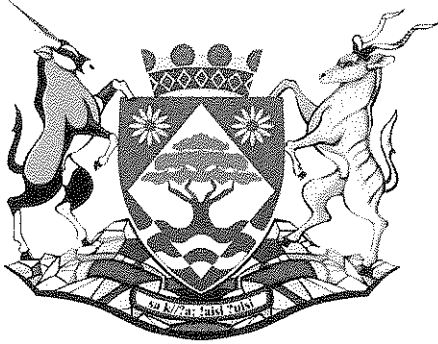
Position:.....

Date:.....

Item Description	Price / Amount	Quantity	Total

Signature:.....

Appendix B



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ENTERTAINMENT ALLOWANCE BUDGET REPORT

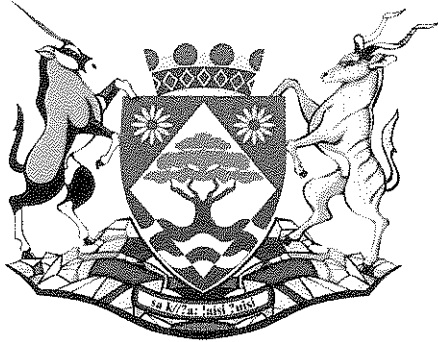
Name:.....

Position:.....

Date	Detail Description	Amount	Balance
1 April.....	Budget Amount / Allocation		

Signature:.....

Appendix C



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Department:
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NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

REIMBURSEMENT FOR ENTERTAINMENT ALLOWANCE CLAIM FORM

Name:.....

Position:.....

Date:.....

Details of entertainment expenditure:

.....
.....
.....
.....
.....

Signature of claimant:.....

Approved:>>.....

NAME

SIGNATURE

RANK

(The approving official must check supporting documents before signing)