



**OFFICE OF THE CHIEF FINANCIAL OFFICER**

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**INTERNAL CIRCULAR**

<b>APPLICABLE TO</b>	<b>DDG PROGRAMME MANAGERS CHIEF DIRECTORS DIRECTORS INCLUDING DISTRICT DIRECTORS ALL OFFICIALS IN THE VALUE CHAIN OF PROCUREMENT OF GOODS, SERVICES, AND INFRASTRUCTURE ALL EMPLOYEES IN THE EASTERN CAPE DEPARTMENT OF EDUCATION</b>
<b>SUBJECT</b>	<b>CIRCULAR NO. 01 OF 2021/22 - COST CONTAINMENT MEASURES</b>
<b>EFFECTIVE DATE</b>	<b>10/05/2021</b>

**1. OBJECTIVE**

- 1.1. The underlying objective of **Circular No. 01 of 2021/22 – COST CONTAINMENT MEASURES** is to prescribe the implementation of cost containment measures for the Eastern Cape Department of Education hereafter referred to as the ‘**ECDOE**’ in line with National Treasury Instruction **No. 03 of 2017/18 COST CONTAINMENT MEASURES**.
- 1.2. To give effect and regulate cost containment measures in terms of expenditure incurred by the ECDOE in the process of carrying out its mandate and discharging its duties for purposes of service delivery.
- 1.3. **The weakening financial position in government which has been exacerbated by the unavoidable budget cuts and the COVID-19 pandemic has compelled the ECDOE to adopt stringent austerity measures that will bring financial stability within the ECDOE.**

**2. LEGISLATIVE MANDATE**

- 2.1. *Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) ‘Section 38(1)(c)(iii)’ and National Treasury Instruction No. 03 of 2017/18* which both make it a prime requisite for *Accounting Officers* to:
  - take effective and appropriate steps to manage the available working capital of their respective institutions efficiently and economically.



- to implement control measures to ensure that all expenditure in their respective institutions is necessary, appropriate, cost-effective and is recorded and reported, as prescribed by the relevant legislative framework.
- In giving effect to this requirement, the Accounting Officer is also responsible for ensuring that all employees are mindful of the current economic realities and the need to intensify efforts to improve efficiency in expenditure.'

### 3. IMPLEMENTATION OF CIRCULAR NO. 01 OF 2021/22 COST CONTAINMENT MEASURES

3.1. To give effect to the implementation of **Circular No. 01 of 2021/22 Cost Containment Measures** the ECDOE has established a **Departmental Expenditure Management and Monitoring Committee** herein after referred to as the 'DEMMEC' which constitutes the following representatives:

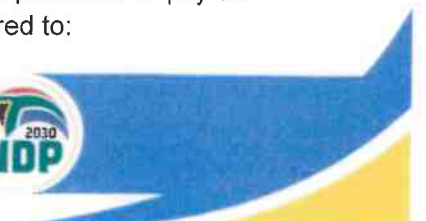
- 3.1.1. The Chief Financial Officer
- 3.1.2. The Chief Director Supply Chain Management,
- 3.1.3. The Chief Director Management Accounting,
- 3.1.4. The Chief Director Human Resource Management,
- 3.1.5. The Chief Director Internal Audit,
- 3.1.6. Cluster Chief Directors
- 3.1.7. All Programme Managers,
- 3.1.8. Chief Director Strategic Planning,
- 3.1.9. Chief Director Communications,
- 3.1.10. Director Financial Planning,
- 3.1.11. Director ICT,
- 3.1.12. Director Risk Management,
- 3.1.13. Director Legal Services,
- 3.1.14. Director Internal Control.

3.2. The primary purpose of the DEMMEC is to reduce the ECDOE's budget deficit by managing and controlling the expenditure for all goods and services including infrastructure projects as well as uncontrolled COE related expenditure.

3.3. In April until the end of May 2021 no normal procurement shall be considered until **all** accruals are paid in the ECDOE.

3.4. The LOGIS functions to generate purchase orders have been revoked for all normal users and only allocated to the Director: Demand and Acquisition as a control measure to avert any processing of new procurement and payments thereof.

3.5. To activate the LOGIS function for purposes of generating a purchase to pay an accrual, the following process must be undertaken and adhered to:





- 3.5.1. District offices are required to request through written application the function to create (new) purchase orders to process payment of accruals from the Director Demand and Acquisition using the prescribed template which has been designed for the purpose of submitting all procurement requests to the DEMMC.
- 3.5.2. The completed template which must be signed by the District Director or the Programme Manager in the case of Head Office shall be submitted to the DEMMC for approval, which then will prompt the release of the LOGIS function in the case of District Offices (Template attached as Annexure 'A' to this circular).
- 3.5.3. Subsequent to the purchase order being generated for payment of accruals, the LOGIS function shall be revoked again within a period of two (2) days from the date of approval.
- 3.5.4. District Offices or Head Offices Directorates with accruals to be paid are required to report on weekly basis on progress and status of their accruals. Find attached the reporting template.
- 3.5.5. The deadline for payment of Non-personnel items accruals for the current financial year is Friday, the 28<sup>th</sup> of May 2021.
- 3.6. For services that were rendered without a purchase order in the previous financial year/s, District Directors and Programmes must declare them with justifiable reasons as to why services were rendered without a purchase order and apply consequences management through a formal disciplinary hearing to officials who have been found to have contravened the Supply Chain Management Regulations.
- 3.7. From the month of April until May 2021 **only** procurement and expenditure emanating from the **Conditional Grant Funding** and **Grade 12 Supplementary Examinations** shall be considered in consultation with the Chief Financial Officer.
- 3.8. All Programme Managers and Responsibility Managers are required to ensure that before committing on new expenditures all contractual liabilities are funded first until the end of the financial year.
- 3.9. All Programme Managers and Contract Owners are required to review their existing contracts to identify any inefficiencies including services which they can function without and/or deferred to the next financial year, to enable the Contract Management Unit to facilitate the process of re-negotiation of terms of reference or scope or period of contracts with affected service providers.
- 3.10. All specifications presented to the Bid Specification Committees must not commit or compel the ECDOE to procuring services or goods but must rather be drafted in such a way that, goods or services are procured on as and when required basis and dependent on budget availability.



#### 4. COST CONTAINMENT MEASURES

##### 4.1. Engagement of professional service providers (Consultants)

- 4.1.1. Consultants must be appointed only where it is a cost-effective alternative to the utilisation of staff employed by the ECDOE.
- 4.1.2. The appointment of consultants must be supported by a motivated business case setting out an analysis of the underlying skills gap and a diagnosis of requirements and specified deliverables, as approved by the accounting officer or accounting authority.
- 4.1.3. Bid documentation for the appointment of consultants must include a clause that rates of remuneration will be subject to negotiation, not exceeding the applicable rates as contained in the guidelines referred to in paragraph below:
- 4.1.4. The "Guideline on Fees for Audits done on behalf of the Auditor-General of South Africa (AGSA)" as issued by the South African Institute of Chartered Accountants (SAICA);
- 4.1.5. The "Guide on Hourly Fee Rates for Consultants", as issued by the Department of Public Service and Administration (DPSA); and/or
- 4.1.6. Consultants must, where practical, be appointed on an output-specified basis, subject to a clear specification of deliverables and associated remuneration. Where consultants are appointed on a time and cost basis, this must be accompanied by regular monitoring and reporting on activities, outputs, and deliverables.
- 4.1.7. Contract Owners who have consultants in their contracts must ensure that appropriate monitoring and reporting requirements are set for all consultancy contracts and that penalty provisions are invoked when deemed necessary.

##### 5.2. Catering Expenses

- 5.2.1. The ECDOE must not incur catering expenses for internal meetings<sup>1</sup>, unless approved otherwise by the **Chief Financial Officer**.
- 5.2.2. Notwithstanding the provisions of paragraph 5.2.1 above, ECDOE programmes may incur catering expenses for official engagements that last for six (6) continuous hours or more, including: -

<sup>1</sup>For purposes of applying this paragraph of the Circular, meetings held with employees from the same institution who are not based at the centre where the meeting is being held are not considered as internal meetings.





- 5.2.2.1. the hosting of conferences, workshops, indabas, forums, recruitment interviews, training sessions or hearings.
  - 5.2.2.2. meetings related to commissions or committees of inquiry; or
  - 5.2.2.3. meetings hosted by the accounting officer, including governance committee meetings.
  - 5.2.2.4. the cost for catering must not exceed **R180 .00 per person all inclusive.**
  - 5.2.2.5. virtual meetings or engagement are **highly encouraged** not only to **realize cost savings but to control and prevent the spread of the COVID-19 virus.**
  - 5.2.2.6. The Department shall prioritize the provision of adequate data bundles or access to departmental 'hot spots' and facilities with WI-FI coverage.
- 5.3. No entertainment expenses including expenditure on alcoholic beverages shall be paid or procured.
  - 5.4. No social functions, team building exercises, year-end functions, sporting events, budget vote dinners and other functions that have a social element shall be financed from the budgets of the ECDOE.
  - 5.5. No corporate branded items of clothing or goods or regalia for personal use of employees other than uniforms, office supplies and tools of trade shall be financed from the budgets of the ECDOE unless costs related thereto are carried by officials requiring such items.
  - 5.6. Newspapers and other related publications for the use of employees shall be discontinued.
  - 5.7. The allocation of cellular phones and data facilities must be managed in accordance with the requirements associated with an employee's responsibilities rather than levels of occupational positions this shall be outlined in a separate Guideline document to be developed by HRM, SCM and Employee Relations and Legal Section.
  - 5.8. Telephone lines shall be opened only for SMS members and shall be soft locked strictly from 11 O'clock. The Directorate Facility, Security & Knowledge Management shall henceforth investigate various cost-effective measures that could be implemented to manage and control the utilization of telephone line and subsequently reduce the costs.
  - 5.9. Accounting officer may, participate in transversal term contracts (RT Contracts) arranged by National Treasury for the acquisition of mobile communications services. If accounting officer decides not to participate in the transversal term contract referred to in paragraph above, the accounting officers must report the discounts that will be achieved by the institution and obtain approval from National Treasury prior to the conclusions of their mobile communication services contracts.





- 5.10. All Information Technology (ICT) related services and devices shall be procured in line with the SITA Act (**Act 88 of 1998**) as amended by Act 38 of 2002. All procurement relating to ICT must be facilitated through SCM including participation in other organs of state contracts.
- 5.11. Strict control of public communication campaigns, publications and advertisements must be exercised and alternatives that are cost-effective must be adopted and implemented.
- 5.12. Vacancies must, where approval to fill a vacancy has been granted be advertised through bulk advertisements with minimal information related to the position. Detailed job specifications related to the vacancy being advertised should be provided on the website of the ECDOE.
- 5.13. Expenditure on the hiring of venues for official engagements must be strictly controlled, be approved by HOD. **Government-owned** facilities and resources must be used at all times unless such venues are not available.
- 5.13.1. Prior to submission of the request for hiring of a venue, Supply Chain, Demand Management must be engaged to establish government owned facilities that are available to cater for such events or engagements.
- 5.13.2. Rates set for hosting of conferences or events per person per day must only be limited to the category stated below where **government-owned** facilities are not available.

Hotel Grading	Cost per delegate per day
3 Star	R350.00

- 5.13.3. The cost per delegate as indicated in the paragraph above is inclusive of conference or event package, food and beverages but excluding costs of other services and items that conference or event organizers will require such as:
- 5.13.4. rooms for official business.
- 5.13.5. usage of audio visual and other equipment.
- 5.13.6. computer, fax, internet, and telephone access.
- 5.13.7. printing; outlays for conference or event preparation and planning.
- 5.13.8. transportation of equipment or material to be showcased at the conference or event if any.



- 5.13.9. speaker fees and administrative expenses; translation and interpretation expenses; and security costs to ensure the safety of attendees or dignitaries.
- 5.13.10. Where the expenses related to a conference or event exceeds the rates referred to in paragraph 5.12.2 above, the accounting officer is required to obtain *prior* written approval from the relevant treasury before proceeding with any arrangements related to that conference or event. If such prior written approval is not obtained, the expenditure related thereto shall be regarded as irregular expenditure and ex post facto approval may not be granted by the relevant treasury.
- 5.14. No official shall attend conferences or events hosted by professional bodies or non-governmental institutions (external conferences or events) held within the borders of South Africa.
- 5.15. **Travel and subsistence** including incidental expenses related to ECDOE officials must be consistent with **National Treasury Instruction No. 04 of 2017/2018 on Cost Containment Measures related to Travel and Subsistence**. This must strictly be based on the availability of funds for such expenses. The Responsibility Managers (Line Function Managers) and Programme Managers must confirm the availability of such funds before recommending and ultimate approval by the Programme Manager.
- 5.16. The cost for accommodation must be kept at minimum rates as outlined in table two (2) below. The costs stated in the table below exclude the cost for management fees. Accommodation where approval has been granted shall be limited only to officials traveling a distance over 500km for a return trip.
- 5.17. It is against the law for government officials to accept cash other meal vouchers in lieu of meals served in an establishment.

Table 1: Maximum star grading per organisational designation for local accommodation

EMPLOYEE LEVEL/DESIGNATION	DOMESTIC ACCOMMODATION STAR GRADING
Accounting officer of a department or constitutional institution; accounting authority of a public entity, chief executive officer of a public entity or the other person in charge of the public entity.	5 Star
Deputy Directors-General in a department, Executives at the level of management reporting to the CEO or other person in charge of a public entity or the chief executive officer of a constitutional institution	4/5 Star
Chief Directors, Directors and persons serving in senior management of constitutional institutions or public entities	4 Star
Deputy Directors, Assistant Director sand persons serving in middle management of constitutional institutions and public entities	3/4 Star
Junior management and other employees	1, 2 or 3 Star



Table 2: Maximum Allowable rates for Domestic Accommodation

Accommodation Star Grading	Band 1	Band 2	Band 3
	Room Only, Tourism Levy, VAT	Bed & Breakfast, Tourism Levy, VAT	Dinner, Bed & Breakfast, Tourism Levy VAT, 2 x Soft drink and Dinner
Graded Hotel, Boutique Hotel, Lodge			
Accommodation Star Grading	Band 1	Band 2	Band 3
1 Star	R 590	R 730	R 940
2 Star	R 920	R 1050	R1270
3 Star	RI 120	RI 230	RI 440
4 Star	RI 275	RI 380.	RI 595
5 Star	R2140	R2250	R2570
Bed & Breakfast, Country House or Guest House			
Accommodation Star Grading	Band 1	Band 2	Band 3
1 Star	R 335	R 495	R 690
2 Star	R 510	R 670	R 865
3 Star	R 920	RI 080	R1270
4 Star	RI 020	RI 180	R1370
5 Star	RI 225	RI 385	RI 575.

5.17.1. If a negotiated rate for a specific star grading is equivalent to or lower than the rate for the lower star grading, the employee may be accommodated in the establishment with the higher star grading. This means that an employee may be accommodated at a four-star establishment if the rate at the four-star establishment is the same as or lower than a three-star establishment.

5.17.2. Where there is an alternative star grading indicated in **Table above** (i.e., 4/5 or 3/4), the maximum allowable rate of the lower star grading will be the benchmark. The higher star grading can only be booked if:

- 5.17.2.1. the higher star graded facility is the only available option due to location and availability; or
- 5.17.2.2. the department through the travel management company has negotiated lower rates with the higher star graded facility.
- 5.17.2.3. The Chief Financial Officer can only approve accommodation rates that exceed the one prescribed in the table above only during peak periods.

5.18. Government fleet must be utilized only within the limit of 3125 per month and all government vehicles that have exceeded their lifespan shall be auctioned as means to save costs for the ECDOE.







- 5.19. Car rental will only be limited to group B for all officials including the MEC's core staff except for the Member of the Executive Council (MEC).
- 5.20. Where flights have been approved by the Chief Financial Officer all ECDOE officials shall travel with economy class except for the Member of the Executive Council (MEC).
- 5.21. Procurement of stationery must be centralized and standardized to enable the ECDoE to realise cost savings from the bulk buying model of procurement on standard items. Only minimum basic stationery that enables officials to perform their operational duties shall be procured using the process outlined as follows:
  - 5.21.1. Requests for procurement of stationery must be submitted to the office of the Chief Director SCM through the Secretary in that office.
  - 5.21.2. The request must indicate the availability of the budget (actual amount available)
  - 5.21.3. Where stationery is programme specific, cost effective alternatives that will serve the same purpose must be provided.
- 5.22. Procurement of office furniture including furniture for training institutes must be centralized at Asset Management, in line with ECDOE's standard office furniture catalogue.
  - 5.22.1. Before embarking in any procurement process, the Asset Management Directorate will first establish if there is any ECDOE office furniture that is in good condition could be within the ECDOE.

## 6. ENFORCEMENT OF COST CONTAINMENT MEASURES

- 6.2. Section 38(1) of the PFMA requires the Accounting Officers to take effective and appropriate steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure.
- 6.3. In terms of sections 45(c) and 57(c) of the PFMA, employees must within their areas of responsibility, take effective and appropriate steps to prevent unauthorised expenditure and irregular expenditure and fruitless and wasteful expenditure.
- 6.4. Non-compliance with the provisions of the ECDOE Circular No. 1 of 2021/22 shall constitute grounds for financial misconduct, as regulated in Chapter 10 of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).
- 6.5. Irregular expenditure resulting from non-compliance with this ECDOE Circular No. 1 of 2021/22 shall be recorded as such in the irregular expenditure register and disclosed appropriately in the annual financial statements of the institution and consequence management shall apply to any official of the ECDOE who contravenes any of the contents of the ECDOE Circular No. 1 of 2021/22.



#### 8-7. APPLICABILITY

This Circular applies to all officials in the ECDOE including District Offices, Circuit Offices including any other office that is not listed herein but falls within the ECDOE.

#### 9-8. EFFECTIVE DATE

This Circular takes effect from the date of issue.

#### 10-9. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

DDGs, Programme Managers, Directors and District Directors are requested to bring the contents of this Circular to the attention of all:

- 9.1. Head office officials
- 9.2. District officials
- 9.3. Officials in various education institutes etc.

Act/CFO  
Ms ND Ngcingwana

Date/ 2021/05/19

Accounting Officer  
Dr S Nuku

Date/ 24/05/2021





TEMPLATE FOR SUBMISSION OF REQUEST FOR APPROVAL OF PROCUREMENT – 2021/22

DIRECTORATE AND DATE OF SUBMISSION	ACTIVITY/ EVENT REQUESTED	INDICATE SOURCE OF FUNDING (EQUITABLE SHARE / CONDITIONAL GRANT	IN A CASE OF AN ACCRUAL STATE THE OLD PURCHASE ORDER NO.	ESTIMATED AMOUNT INDICATE SOURCE	AVAILABLE BUDGET AND SCOA CODE	IMPACT AND IMPLICATIONS IF APPROVAL IS NOT GRANTED IN TERMS OF LEARNING AND TEACHING.	COMPULSORY COST-EFFECTIVE ALTERNATIVE TO RENDER THE SERVICE	AMC FINAL DECISION
EPWP- HR	Accommodation for 25 EPW Facility Maintenance Officer (FMO's) to be trained on 25 November 2019- 09 December 2019							

This template does not take away OR replace the normal procurement process that must be undertaken by Programmes i.e. the demand memo including all other procurement documentation are still required.



REDIRECTED DOCUMENTS BACK TO END-USERS are as follows			
ACTIVITY/EVENT	AMOUNT APPROVED	RELEVANT OFFICE	DATE
Accommodation for 25 EPW Facility Maintenance Officer (FMO's) to be trained on 25 November 2019- 09 December 2019	R300 000		

**APPROVED / NOT APPROVED**

COMMITTEE TO STATE REASONS FOR NOT APPROVING OR INSTRUCTIONS TO BE CARRIED OUT BY THE RELEVANT REQUESTING PROGRAMME

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**CHAIRPERSON AS DELEGATION IN TERMS OF THE AMC TERMS OF REFERENCE**

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DATE

This template does not take away OR replace the normal procurement process that must be undertaken by Programmes i.e. the demand memo including all other procurement documentation are still required.