



Province of KwaZulu-Natal
Department of Sport and Recreation



GOVERNANCE OF TRANSFER PAYMENTS

An active & winning province through sport & recreation.

INTRODUCTION

- The Accounting Officer has delegated Stakeholder Support Management with the responsibility for sport development and transformation.
- Transfer of funds to sport federations and other entities falls within the strategic responsibilities of this business unit. This business unit will therefore liaise with sport federations and other entities in respect of transfer payments.
- The Accounting Officer has also appointed a Transfer Payment Committee that makes recommendations to her for approval of transfers based on the needs of the province, the strategic goals & objectives of the department and government.
- The Accounting Officer makes representation to the Executive Authority with respect to transfer of funds.

RESPONSIBILITY

- The delegated officials have a duty to ensure that the systems for financial management and internal control are established and carried out within their area of responsibility.
- Prior to approving expenditure or incurring a commitment to spend, the delegated or authorized official must ensure compliance with any limitations or conditions attached to the delegation or authorization.

RESPONSIBILITY

- The department has a responsibility to ensure effective, efficient, economical and transparent use of its financial and other resources.
- The department takes effective and appropriate steps to prevent any irregular and, fruitless and wasteful expenditure

LEGISLATION

Public Finance Management Act 1 of 1999
as amended by Act 29 of 1999
(PFMA)

LEGISLATION

- Before transferring any funds to an entity within and outside government, written assurance must be obtained that the entity implements effective, efficient and transparent financial management and internal control systems.
- If such assurances is not or cannot be given, the transfer of funds is subject to conditions and remedial measures requiring the entity to establish such systems.

LEGISLATION

Before transferring any funds to an entity within and outside government, written assurance must be obtained that the entity implements effective, efficient and transparent financial management and internal control systems.

LEGISLATION

Treasury Regulations 8.4.1 read in terms of Section 38 (1) (j) of the PFMA states that:

An accounting officer must maintain appropriate measures to ensure that transfers and subsidies to entities are applied for their intended purposes.

LEGISLATION

SUCH MEASURES MAY INCLUDE:

- (a) regular reporting procedures;
- (b) internal and external audit requirements and, where appropriate, submission of audited statements;
- (c) regular monitoring procedures;
- (d) scheduled or unscheduled inspection visits or reviews of performance; and
- (e) any other control measures deemed necessary.

LEGISLATION

Treasury Regulations 8.4.2 read in terms of Section 38 (1) (j) of the PFMA states that:

An Accounting Officer may withhold transfers and subsidies to an entity if he or she is satisfied that:

- (a) conditions attached to the transfer and subsidy have not been complied with;
- (b) financial assistance is no longer required;
- (c) the agreed objectives have not been attained; and
- (d) the transfer and subsidy does not provide value for money in relation to its purpose or objectives.

LEGISLATION

Provincial Treasury requires MOA's to be signed and business plans to be completed before the new financial year commences.

STRATEGIC GOALS

- To promote and contribute to the health and well-being of our citizens.
- To promote and contribute to improved performance through talent optimization and development.
- To promote and contribute to good governance and accountability in sport and recreation.
- To promote and contribute to economic growth and opportunities through sport and recreation.

WHAT DO WE FUND?

- **Transformation and development programmes** with emphasis and special focus on the creation of a platform for excellence that aims to target women, youth and people with disabilities.
- **Capacity building** programmes.
- Support of **high performance & excellence** programmes.
- **Hosting of training camps** that are prioritized by sport federations.
- Hosting of major provincial, national and international sport and recreation programmes/events.
- **Hosting of training camps** that are prioritized by sport federations.
- **Support for provincial teams travelling** to national competitions.

WHAT DO WE FUND?

- Support for **mass-based recreational programmes** that are aligned to the sustainability of **active & healthy** lifestyles.
- Funding will be considered for recreation agencies with a special focus on the aged, vulnerable groups and advocacy (behavioural change).
- **Administrative support** to sport and recreation federations to promote good governance.

FUNDING FOR MAJOR EVENTS

- Government must be part of the bidding process if financial assistance is required.
- Major events must get the go-ahead from the Provincial Government's Events Committee.
- Government cannot be a "crisis-saver" to those Sport & Recreation Federations that bid without first getting government support and who, do not have the financial means to host such an event.

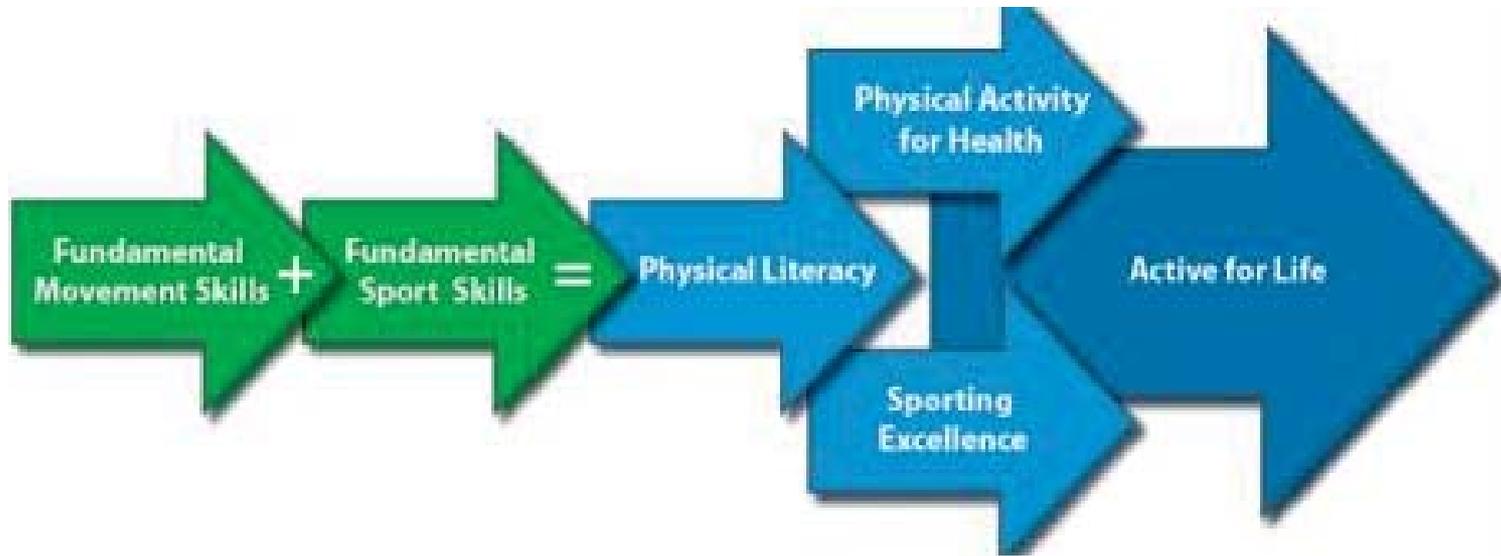
FUNDING FOR SPORT DEVELOPMENT

When requesting for funding for sport development programmes must be aligned to the Long-Term-Participant-Development (LTPD):

- As part of its high performance strategy the department has adopted the Long-Term-Participant-Development (LTPD) Programme as proposed by SASCOC and which is a sport development framework that is based on human growth and development.
- The LTPD provides the base for participating in life-long physical activity as well as to train and compete in performance sport.

FUNDING FOR SPORT DEVELOPMENT

- Physical Literacy is the foundation for life-long participation in physical activity and excellence in performance sport and is best described by the illustration below:



WHO DO WE FUND?

Sport and recreation entities and non-profit institutions which will include, amongst others, the following:

- Provincial Sport Federations
- Sport Bodies & Organizations
- Social and Welfare Organisations
- Non-Profit community based organisations
- Previously disadvantaged community-based organisations
- Schools

NOTE: Funding to sport federations will be prioritised in terms of the guidelines issued by Sport and Recreation South Africa/SASCOC in terms of priority codes which may vary from time to time.

CONDITIONS THAT APPLY TO TRANSFERS

- Sport federations must be affiliated to SASCOC and other non-profit community based organisations must have an NPO number.
- Whist considerations will be given to Olympic codes of sport, due considerations will also be given to other codes that the Transfer Payment Committee feels meets the strategic goals and objectives of the department.
- The department shall give due consideration to funding the following codes/entities:

Category A & B Olympic Codes/School Sport Codes

Special Interventions

Recreational Bodies

- Transfer of funds will only be considered where entities have complied with all the relevant prescripts applicable to transfer payment.

CONDITIONS THAT APPLY TO TRANSFERS

- Transfers may be withheld if the organization has not complied with the conditions attached to the transfer which are included in the agreement and the business plan.
- Where transfers have not been used for the agreed purpose or where the funds cannot be accounted for, steps will be taken to reclaim funds.

HOW TO REQUEST FOR FUNDING?

- Submit a written request on the organization's letterhead.
- Attach a comprehensive business plan and consolidated project plans.
- Business plan must indicate roll-out of programmes as per the geographical demarcation of the province (District/Ward/War-Room Levels).
- Copies of latest Audited Financial Statements (*Certified*)
- Signed copies of previous AGM minutes. Minutes must reflect adoption of the Annual Financial Statements of the organization.
- Signed copy of organization's constitution.
- S38 (1) (j), compliance certificate as per PFMA
- Detailed report of activities in the previous year, including income and expenditure statement per project that has been funded.

BUSINESS PLANS

All transfer payments must be supported by a Business Plan prepared by the entity to whom the proposed transfer payment will be made:

“Fail to plan can mean plan to fail”

- For an established organization a well-written business plan demonstrates that careful consideration has been given to the organization's development, and for a young organization it shows that the executive committee has done their homework.
- A well-prepared business plan will demonstrate that the Executive know the business and that they have thought through its development in terms of services, management, finances, and most importantly, development, transformation and high performance.

HOW FUNDS WILL BE ALLOCATED?

- Alignment of your programmes to department's strategic objectives, indicators and targets.
- On the basis of the code's ability to achieve targets it has set.
- Evidence of good practice and sound corporate governance.
- Presentation of a sound long-term development plan towards high performance.
- Ability to create employment, community participation, skills development, impact on economy, BEE.
- Ability to deliver effective services at a **District/Ward** level.

BUDGETS

- All transfer payments are budgeted for at the beginning of the year – the budget for non-profit institutions for 2014/15 is R36m. Over the past 11 years the department has transferred R138m to non-profit entities which makes us the biggest funders of sport.
- The department has to apply to Treasury via a detailed motivation if it wishes to:
 - Reallocate funds due to savings*
 - Request for additional funds based on special needs*
- In the cases where the transfer was not budgeted for in terms of the budget process, but rather to be implemented later in the financial year, Treasury approval is required to increase transfers and subsidies

APPROVAL PROCESS

- Obtain a business plan from the organisation to whom funding is to be provided.
- These plans are scrutinized against the strategic plan of the department.
- Department will meet with the organisations to interrogate the business plans and align it to the department's Annual Performance Plans.
- The Transfer Payment Committee deliberates and draws up a final schedule.
- The budget available for transfer payments will be considered when allocating funds.
- If additional funding is required a motivation for additional funding must be prepared by the Transfer Payment Committee. This will be reviewed by the CFO & submitted to the accounting officer for approval.
- The schedule may only be approved by the Head of Department..

APPROVAL PROCESS

- Upon approval of the transfer payments the transfer payment administrator must ensure that the following documentation is received from the requesting organization:
 - Organisations constitution;
 - Income & Expenditure Statement (per project) duly signed by Finance Officer/Treasurer and CEO/GM/President on letterhead.
 - Latest audited financial statement (copy submitted to the department must be certified)
 - Minutes of the previous Annual General Meeting, approving the financial statements
 - Close out report for previous funding received; and
 - S 38 (1) (j) compliance certificate.
- The department reviews the above documentation to ensure it is compliant.
- Detailed project plans for the funding approved must be prepared and submitted with the agreement.
- The memorandum of agreement is signed by the Head of Department and the entity to which the payment is to be made.
- The person signing the contract on behalf of the entity receiving the money must be duly authorised to do so.
- This documentation must be attached to the agreement.

AUTHORISATION OF PAYMENTS

Before authorising a payment the CFO will ensure that appropriate supporting information has been obtained to satisfy himself/herself that:

- *the transfer payment is valid;*
- *the amount is correct;*
- *all conditions and objectives have been met;*
- *the institution has in respect of the previous financial year's assistance complied with the statutory and departmental requirements; and*
- *that the qualifying institution has and maintains effective, efficient and transparent financial management and control systems*

AUTHORISATION OF PAYMENTS

- The purpose for which funds are requested must be clearly motivated for in the business plan and project plans.
- The department's Financial Management Unit, supported by the Strategic Management Unit, will review all documentation.
- The Financial Management Unit will prepare payment forms.
- All submission for payments must be received by the CFO at least 7 days prior to the payment being effected.
- Payments will only be made if supported by the signed MOA together with all supporting documents in a file.
- The payment is approved in accordance with approved financial delegation.

UNUSED FUNDS

- If the transfer payment recipient cannot use all the funds for the purposes intended, the surplus funds must be returned to the department.
- If the recipient proposes to use the funds for an alternative project, an application must be made in writing to the department who will consider the application.
- The department will either approve or reject the proposal and on resolution, report back to the recipient in writing.
- The recipient cannot utilise the funds for any other purpose unless it receives written approval from the department.

POST-FACTO PAYMENTS

- Funds may be paid post-facto for events/programmes/projects that are on the business plan but have already taken place due to the timing of the processing of the transfer payment.
- Such funds will only be paid provided the entity makes an application for such in writing and such application is included in the application for funds.
- The purpose for which funds are requested must be clearly motivated for in the business plan and project plans.
- The department's finance section will review all documentation and prepare payment forms.
- The payment is approved in accordance with approved financial delegation.

AMENDMENTS TO PROJECT PLANS

Amendments to agreed project plans must be made in writing and signed by both parties and form part of the signed MOA.

UTILISATION OF FUNDS

Entities must utilize funding as per approved allocations of the business plans and project plans.

CONDITIONS OF FUNDING - MARKETING

- Acknowledgement of department's support in all communication, media releases, annual reports, brochure, programme and fixtures.
- Provincial government logo to be incorporated as part of all official correspondence.
- Display of department's banners at events.
- Insert message from MEC/HOD in official brochure.
- Invitation/Speech by the MEC or delegate at official functions where funding is made available.

CLOSE-OUT REPORTS

A **Close-Out Report** for previous funding must be submitted on the completion of the project/programme and must include:

- Fulfillment of the duties referred to in the project plan.
- Detailed breakdown of target that have been met.
- Detailed breakdown of how the subsidy was spent.
- Economic impact of the programme/project – jobs created, clubs started, athletes supported, infrastructure built, revenue generated.
- Supporting documentation – minutes, fixtures, results, LOC reports, site visit reports, photographs, brochures, press clippings, flyers, etc.
- Income & Expenditure Statement (per project) duly signed by Finance Officer/Treasurer and CEO/GM/President on letterhead.
- Other relevant information.

No funding is allocated to entities who have not accounted for previous allocations.

MONITORING & EVALUATION

- Close-out reports must be submitted to the department for each individual project plan completed.
- Once the entire project is completed, a consolidated close-out report must be submitted to the department.
- If the project extends over a period of 3 months, then quarterly reports must be submitted to the department.
- For long-term projects (one-year) the beneficiary must provide quarterly reports to the department.
- Beneficiaries must also avail themselves for one-on-one meetings as determined by the department.

MONITORING & EVALUATION

- The beneficiary shall allow the department reasonable access to inspect all documentation, books and accounts of the beneficiary and shall allow the department to make copies of such documentation, books and accounts in order to ensure that:
 - the agreement is being duly complied with;
 - the expenditure incurred is valid, reasonable and relates to the purpose of the grant
 - the grant is being correctly utilised; and
 - there are adequate measures and procedures for the proper application of sound economic, efficient and effective management, as required by the PFMA.

PRINCIPLES OF GOOD GOVERNANCE

- **Discipline** - a commitment by organization's senior management to widely accepted standards of correct and proper behavior.
- **Transparency** - the ease with which an outsider can meaningfully analyze the organization's actions and performance.
- **Independence** - the extent to which conflicts of interest are avoided, so that the organization's best interests prevail at all times.
- **Accountability** - addressing stakeholder's rights and if necessary query information relating to leadership of the organization in its performance.

PRINCIPLES OF GOOD GOVERNANCE

- **Responsibility** - acceptance of all consequences of the organization's behavior and actions, including a commitment to improvement where required.
- **Fairness** - acknowledgement of, respect for, and balance between the rights and interests of the organization's various stakeholders.
- **Social Responsibility** - The organization's demonstrable commitment to ethical standards and its appreciation of the social, environmental and economic impact of its activities

CONCLUSION

As the Department of Sport and Recreation we need to ensure efficiency and effectiveness:

- Root-out waste and phase-out ineffective programs;
- Identify savings and have stricter oversight over our activities.
- Monitor and evaluate programmes/projects where departmental funding has been used.
- It is the responsibility of both the transferring organization (DSR) and the receiving entity to ensure compliance with the provisions of the PFMA.
- The recommendation of the King III report has been incorporated in the **PFMA**.



Province of KwaZulu-Natal
Department of Sport and Recreation

THANK YOU!

Together we can create:

“An active and winning province through sport & recreation”

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