

# SCoA Induction

21 August 2019



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Presentation Outline

- Roles and responsibilities
- Budget Process
- The structure of the budget documents
- Monitoring In-year Expenditure
- Reporting on Public entities
- Tools to strengthen oversight
- Glossary

# Roles and Responsibilities

# Public Finance

Public Finance performs a regulatory function - our main task is oversight of all national departments and national public entities with respect to:

## 1. Policy development

- Provide analysis and advice to departments and Public Entities (PEs), as well as the Director-General: National Treasury and Minister of Finance, with a focus on the financial and fiscal implications of policies

## 2. Budgeting

- Manage the technical interactions with departments & PEs in the budget process
- Undertake budget baseline analysis and costing of policies
- Make recommendations on budget allocations to the Ministers' Committee on the Budget technical committee (taking into account the requirements of the Constitution, and priorities articulated in the National Development Plan, Medium Term Strategic Framework, State of the Nation Address, etc.)

## 3. Budget Execution

- Monitor budget execution in-year and advise/intervene, when necessary
- Present a high level overview of quarterly spending to Parliament
- Give approvals with regard to the Public Finance Management Act and Treasury Regulations as delegated e.g. approval to introduce a new transfer payment

***As the National Macro Reorganisation of Government has just commenced, the division of responsibilities in Public Finance is still based on the 'old' structure of government.***

# Public Finance

The following Chief Directorates in the Public Finance Division oversees budget planning, expenditure and service delivery by sector and by departments;

- **Education and Related Departments**
- **Health and Social Development**
- **Administrative Services**
- **Justice and Protection Services**
- **Urban Development and Infrastructure**
- **Economic Services**

# Public Finance

<b>EDUCATION &amp; RELATED DEPARTMENTS</b> CD: Julia de Bruyn	<b>HEALTH &amp; SOCIAL DEVELOPMENT</b> CD: Mark Blecher	<b>ADMINISTRATIVE SERVICES</b> CD: Gillian Wilson	<b>JUSTICE &amp; PROTECTION SERVICES</b> CD: Rendani Randela	<b>URBAN DEVELOPMENT &amp; INFRASTRUCTURE</b> CD: Ulrike Britton	<b>ECONOMIC SERVICES</b> CD: Lebogang Madiba
<p><b>Votes (5)</b></p> <ol style="list-style-type: none"> <li>Basic Education</li> <li>Higher Education &amp; Training</li> <li>Arts &amp; Culture</li> <li>Sport &amp; Recreation</li> <li>Labour</li> </ol> <p><b>Public Entities (61)</b></p> <ol style="list-style-type: none"> <li>21 Sector Education and Training Authorities</li> <li>The Pan South African Language Board</li> <li>Artscape</li> <li>Boxing South Africa</li> <li>Commission for Conciliation Mediation &amp; Arbitration</li> <li>Compensation Fund</li> <li>Council on Higher Education</li> <li>Die Afrikaanse Taal Museum</li> <li>Ditsong: Museums of South Africa</li> <li>Freedom Park Trust</li> <li>Iziko Museums of South Africa</li> <li>KwaZulu-Natal Museum</li> <li>Luthuli Museum</li> <li>Market Theatre Foundation</li> <li>National Arts Council of South Africa</li> <li>National Economic Development and Labour Council</li> <li>National English Literary Museum</li> <li>National Film and Video Foundation of South Africa</li> <li>National Heritage Council of South Africa</li> </ol>	<p><b>Votes (2)</b></p> <ol style="list-style-type: none"> <li>Health</li> <li>Social Development</li> </ol> <p><b>Public Entities (7)</b></p> <ol style="list-style-type: none"> <li>Council for Medical Schemes</li> <li>Medical Research Council of South Africa</li> <li>National Development Agency</li> <li>National Health Laboratory Service</li> <li>Office of Health Standards Compliance</li> <li>South African Health Products Regulatory Authority</li> <li>South African Social Security Agency</li> </ol>	<p><b>Votes (11)</b></p> <ol style="list-style-type: none"> <li>Presidency</li> <li>Parliament</li> <li>Communications</li> <li>Home Affairs</li> <li>DIRCO</li> <li>National Treasury</li> <li>DPME</li> <li>DPSA</li> <li>Public Works</li> <li>Statistics SA</li> <li>Women</li> </ol> <p><b>Depts without a vote (4)</b></p> <ol style="list-style-type: none"> <li>GCIS</li> <li>National School of Government (NSG)</li> <li>Centre for Public Service Innovation (CPSI)</li> <li>Public Service Commission</li> </ol> <p><b>Public Entities (19)</b></p> <ol style="list-style-type: none"> <li>The Commission on Gender Equality</li> <li>The Financial and Fiscal Commission</li> <li>The Independent Communications Authority of South Africa</li> <li>The Independent Electoral Commission</li> <li>Accounting Standards Board</li> <li>African Renaissance and International Cooperation Fund</li> <li>Agreement South Africa</li> <li>Brand SA</li> <li>Construction Industry Development Board</li> <li>Council for the Built Environment</li> <li>Film and Publication Board</li> <li>Financial Intelligence Centre</li> <li>Financial Services Board</li> </ol>	<p><b>Votes (9)</b></p> <ol style="list-style-type: none"> <li>Justice &amp; Constitutional Development</li> <li>SAPS</li> <li>Independent Police Investigative Directorate</li> <li>Civilian Secretariat for Police</li> <li>Military Veterans</li> <li>Office of the Chief Justice</li> <li>Correctional Services</li> <li>State Security Agency</li> <li>Defence</li> </ol> <p><b>Public Entities (6)</b></p> <ol style="list-style-type: none"> <li>The Public Protector of South Africa</li> <li>The South African Human Rights Commission</li> <li>Castle Control Board</li> <li>Legal Aid South Africa</li> <li>Private Security Industry Regulatory Authority</li> <li>Special Investigating Unit</li> </ol>	<p><b>Votes (7)</b></p> <ol style="list-style-type: none"> <li>Transport</li> <li>Water &amp; Sanitation</li> <li>Energy</li> <li>DTPS</li> <li>Human Settlements</li> <li>CoGTA</li> <li>Telecommunications and Postal services</li> </ol> <p><b>Public Entities (43)</b></p> <ol style="list-style-type: none"> <li>The Municipal Demarcation Board</li> <li>Breede-Gouritz Catchment Management Agency</li> <li>Cross-Border Road Transport Agency</li> <li>Estate Agency Affairs Board</li> <li>Housing Development Agency</li> <li>Inkomati-Usuthu Catchment Management Agency</li> <li>Municipal Infrastructure Support Agency (MISA)</li> <li>National Energy Regulator of South Africa</li> <li>National Housing Finance Corporation</li> <li>National Urban Reconstruction and Housing Agency</li> <li>Ports Regulator of South Africa</li> <li>Railway Safety Regulator</li> <li>Road Accident Fund</li> <li>Road Traffic Infringement Agency</li> <li>Road Traffic Management Corporation</li> <li>Rural Housing Loan Fund</li> <li>South African Civil Aviation Authority</li> <li>South African Local Government Association</li> </ol>	<p><b>Votes (10)</b></p> <ol style="list-style-type: none"> <li>Agric, Forestry &amp; Fisheries</li> <li>Rural Development</li> <li>Minerals</li> <li>Environmental Affairs</li> <li>Tourism</li> <li>Science &amp; Technology</li> <li>Public Enterprises</li> <li>Economic Development</li> <li>Small Business</li> <li>Trade &amp; Industry</li> </ol> <p><b>Public Entities (48)</b></p> <ol style="list-style-type: none"> <li>Companies and Intellectual Property Commission</li> <li>Companies Tribunal</li> <li>Competition Commission</li> <li>Competition Tribunal</li> <li>International Trade Administration Commission</li> <li>National Consumer Commission</li> <li>National Consumer Tribunal</li> <li>National Credit Regulator</li> <li>National Gambling Board of South Africa</li> <li>National Lotteries Commission</li> <li>National Metrology Institute of South Africa</li> <li>National Regulator for Compulsory Specifications</li> <li>Small Enterprise Development Agency</li> <li>South African National Accreditation System</li> <li>Agricultural Research Council</li> <li>Council for Geoscience</li> <li>Ingonyama Trust Board</li> <li>Marine Living Resources Fund</li> </ol>
 <p><b>national treasury</b>                      Department                      National Treasury                      REPUBLIC OF SOUTH AFRICA</p>					

# Public Finance

<b>EDUCATION &amp; RELATED DEPARTMENTS</b>  <b>(Continued)</b>	<b>HEALTH &amp; SOCIAL DEVELOPMENT</b>	<b>ADMINISTRATIVE SERVICES</b>  <b>(Continued)</b>	<b>JUSTICE &amp; PROTECTION SERVICES</b>	<b>URBAN DEVELOPMENT &amp; INFRASTRUCTURE</b>  <b>(Continued)</b>	<b>ECONOMIC SERVICES</b>  <b>(Continued)</b>
20) National Library of South Africa 21) National Museum, Bloemfontein 22) National Student Financial Aid Scheme 23) Nelson Mandela National Museum 24) Performing Arts Council of the Free State 25) Productivity SA 26) Quality Council for Trades and Occupations 27) Robben Island Museum 28) South African Council for Educators 29) South African Heritage Resources Agency 30) South African Library for the Blind 31) South African Qualifications Authority 32) The National English Literary Museum 33) The National Skills Fund 34) The Playhouse Company 35) The South African Institute for Drug-free Sport 36) The South African State Theatre 37) uMalusi Council for Quality Assurance in General and Further Education and Training 38) uMsunduzi Museum 39) Unemployment Insurance Fund 40) War Museum of the Boer Republics 41) William Humphreys Art Gallery		14) Independent Regulatory Board for Auditors 15) Media Development Diversity Agency 16) National Youth Development Agency 17) Office of the Ombud for Financial Service Providers 18) Office of the Pension Funds Adjudicator 19) South African Revenue Service		19) South African National Energy Development Institute 20) The National Radioactive Waste Disposal Institute 21) The Social Housing Regulatory Authority 22) Universal Service and Access Agency of South Africa 23) Universal Service and Access Fund 24) Water Research Commission 25) National Home Builders Registration Council 26) Community Schemes Ombud Service 27) Thubelisha Homes 28) Driving Licence Card Account 29) South African Maritime Safety Authority 30) National Nuclear Regulator 31) National Electronic Media Institute of South Africa 32) State Information Technology Agency 33) 9 Water Boards 34) Sentech 35) Passenger Rail Agency of South Africa 36) South African Post Office 37) Central Energy Fund 38) Broadband Infraco 39) Nuclear Energy Corporation of South Africa 40) Trans-Caledon Tunnel Authority 41) Airports Company of South Africa 42) Air Traffic Navigation Services 43) Social Housing Regulatory Authority	19) Mine Health and Safety Council 20) National Agricultural Marketing Council 21) Perishable Products Export Control Board 22) South African Diamond and Precious Metals Regulator 23) Agricultural Land Holdings Account 24) Registration of Deeds trading account 25) South African National Biodiversity Institute 26) South African National Parks 27) South African National Space Agency 28) South African Tourism 29) South African Weather Service 30) Council for Scientific and Industrial Research 31) Technology Innovation Agency 32) National Research Foundation 33) Academy of Science of South Africa 34) iSimangaliso Wetland Park Authority 35) South African National Biodiversity Institute 36) Human Sciences Research Council 37) Vredefort Dome World Heritage Site 38) Onderstepoort Biological Products 39) Perishable Products Export Control Board 40) Mintek 41) State Diamond Trader 42) South African Diamond and Precious Metals Regulator 43) Office of the Valuer General 44) -Export Credit Insurance Corporation of South Africa Limited 45) National Empowerment Fund 46) South African Bureau of Standards 47) Industrial Development Corporation of South Africa Limited 48) Small Enterprise Finance Agency
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# Accounting Officers

- s38- 43 of Public Finance Management Act (1999) stipulates responsibilities of Accounting Officers (Aos) of departments, trading entities and constitutional institutions
- s38 covers general responsibilities, and require AOs to ensure that:
  - ❖ Effective, efficient and transparent systems of financial and risk management and internal control are maintained
  - ❖ There is a system of internal audit under control and direction of an audit committee
  - ❖ There is an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective
  - ❖ Resources are used effectively, efficiently, economically and transparently
  - ❖ Effective and appropriate steps are taken to prevent unauthorised, irregular and fruitless and wasteful expenditure
  - ❖ The department, trading entity or constitutional institution is not committed to any liability for which money has not been appropriated

# Accounting Officers

- s39 relates to responsibilities in terms of budgetary control, including:
  - ❖ Ensuring that deptal expenditure is in accordance with the vote of the dept and main divisions within the vote
  - ❖ Taking effective and appropriate steps to prevent overspending of a vote or main division within that vote.
- s40(1) – (3) relates to reporting responsibilities, particularly w.r.t. Financial Statements and Annual Reports
  - ❖ Financial Statements must be submitted within 2 months after the end of a financial year to Auditor-General (for auditing) and National Treasury (for consolidation purposes)
  - ❖ Annual Reports must be submitted no later than 5 months after the end of a financial year, and should include financial statements and Auditor-General's report.

# Accounting Officers

- s40(4) requires AOs of departments to:
  - ❖ Each year, before the beginning of a financial year, provide relevant treasury (in the prescribed format) with a breakdown per month of anticipated revenue and expenditure for the financial year
  - ❖ Each month, submit information (in the prescribed format) on actual revenue and expenditure for preceding month and amounts anticipated for that month
  - ❖ Within 15 days of the end of each month, submit to relevant treasury and executive authority responsible for that department-
    - information for that month
    - a projection of expected expenditure and revenue collection for remainder of current financial year
    - where necessary, an explanation of material variances and a summary of steps taken to ensure that projections remain within budget

# Accounting Officers

- s41 obliges AOs to submit information as may be prescribed or required by relevant treasury or Auditor-General
- s42 relates to responsibilities when assets and liabilities are transferred
  - ❖ AOs must draw up an inventory of assets and liabilities and provide receiving AO with substantiating records, including personnel records of staff to be transferred
  - ❖ Both AOs must sign inventory when transfer takes place
  - ❖ Transferring AO must file a copy of signed inventory with relevant treasury and Auditor-General
- s43 regulates virements between main divisions within votes
  - ❖ AOs may utilise savings under one main division towards defrayment of excess expenditure under another main division (may not exceed 8%)
  - ❖ Relevant treasury and executive authority must be informed of approved virement within 7 days following AO sign-off

# Department of Planning, Monitoring and Evaluation

- Performance information is important for effective management, including planning, budgeting, implementation, reporting, monitoring and evaluation and is further emphasised in the Framework for Managing Programme Performance Information which was introduced in 2007
- Additionally, the Framework for Strategic and Annual Performance Plans (FSAPP) was introduced in 2010 to align, standardise and inform departmental medium-term strategic planning and annual performance planning
- The Department of Performance Monitoring and Evaluation (DPME) is mandated to monitor the performance of individual national and provincial government departments and municipalities, and to carry out evaluations in partnership with other departments
- Performance dialogues are also convened by DPME officials responsible for coordinating planning, monitoring and evaluation across government together with the departmental, technical group or functional stakeholders may be held
- Performance by departments is displayed in departmental Annual Reports, Strategic Plans and APP's through indicators that are monitored throughout the year
- These indicators should be SMART (specific, measurable, achievable, relevant and timely)
- One of the roles of the Portfolio Committee is to review performance information to ensure that government spending is having the desired impact on the various sectors

# Standing Committee on Appropriations

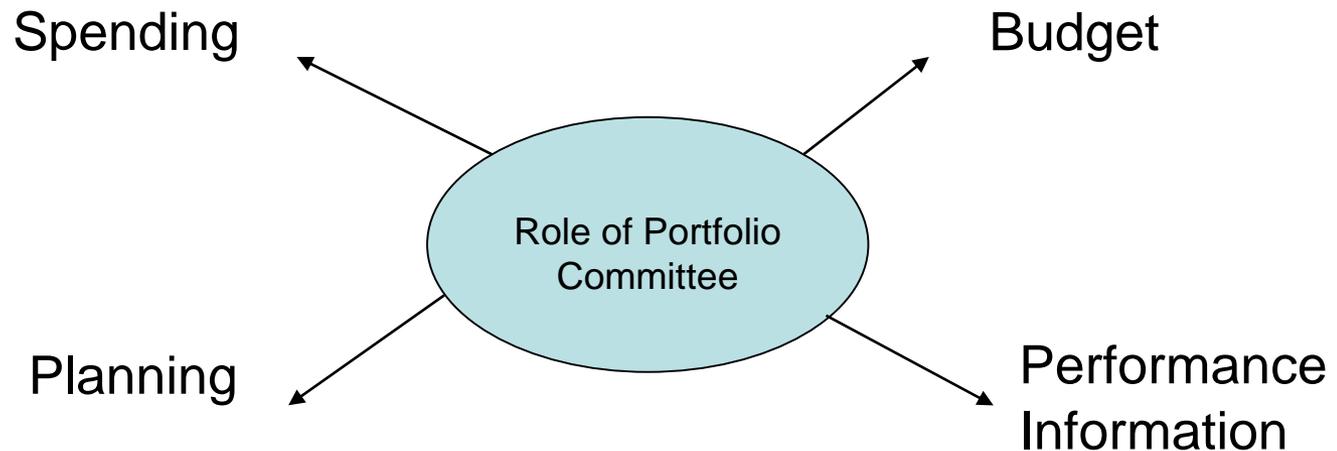
- SCOA Committee was established in terms of Section 4(3) of the Money Bills Amendment Procedure and Related Matters Act;
- Section 4(4) of the Act states that the Committee's powers and functions include considering and reporting on:
  - Spending issues;
  - Amendments to the Division of Revenue Bill, and all Appropriation Bills (Adjusted, Special or Supplementary)
  - Recommendations of the Financial and Fiscal Commission (FFC), including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
  - **Reports on actual in-year expenditure published by the National Treasury**; and
  - Any other related matters
- The focus areas centre around the Section 32 Report on the expenditure of national departments
  - highlighting high level spending;
  - including a distinction between capital and current expenditure by vote, and
  - that cumulative spending data is included

# National Treasury

- National Treasury is responsible for the compilation and publication of a report detailing the spending outcomes in each of the government votes
- This report is submitted to the SCoA on a quarterly basis
- Subsequently, a presentation is also made summarising the expenditure outcomes and spending issues for that quarter
- The report is currently structured in a manner that includes spending information by vote and economic classification as required in Section 32 of the PFMA:
  - *Section 32(1) states that “within 30 days after the end of each month, the National Treasury must publish in the national Government Gazette a statement of actual revenue and expenditure with regard to the National Revenue Fund.”*
  - *Furthermore, Section 32(3)(b) states that it must specify the “actual expenditure per vote (distinguishing between capital and current expenditure) for that period, and for the financial year up to the end of that period”*

# Individual Sector Portfolio Committee

- The role of the Sector Portfolio Committee is described as considering bills, dealing with departmental budget votes, overseeing the work of the department they are responsible for, and enquiring and making recommendations about any aspect of the department, including its structure, functioning and policy
- This role differs from that of the SCoA by focusing on every aspect of a department which considers:



# Individual Sector Portfolio Committee

- Sector Portfolio Committees interact with departments more frequently. The Committee is also required to understand how the spending, planning, budget and performance intersect holistically
- Portfolio Committee also engage with a variety of documentation such as strategic plans, annual performance plans, annual reports, site visits, and other reports
- It would be the responsibility of the relevant Sector Portfolio Committee to conduct in-depth investigations, understand the reasons why a department would require a substantial budgets for certain line items such as spending on consultants, and provide recommendations on how to address any shortcomings

# The relationship between the SCoA Committee and other Committees in ensuring service delivery

- Committees are the places where members of the public can express their opinions directly and try to influence the outcome of Parliament's decisions
- Committees monitor and oversee the work of national government departments and hold them accountable
- The SCoA Committee and other Committees are both used to exercise oversight and monitor government actions; by detecting and reporting issues that need to be referred to Parliament in order for the Executive to answer to any anomalies on how public funds are spent
- This ensures that government operations are more transparent to enable increased public trust in the government
- In addition the committees support each other:
  - They take care of domestic parliamentary issues
  - They consider bills and amend them, and may initiate bills
  - They consider private members' and provincial legislative proposals and special petitions
  - They consider international treaties and agreements

# Budget Process



# Purpose of the Budget

The budget is the key statement of policy of the government and the process through which choices have to be made about competing priorities

- **The budget must meet 3 functions**
  - Spending, taxation and borrowing must support economic objectives
  - Resources must be allocated to political priorities
  - The Budget and budget information must be tools to improve quality and effectiveness of spending
- **The budget must be comprehensive in covering the public sector; must include**
  - State owned enterprises
  - Public entities and agencies
  - Donor receipts (both cash and in-kind)

# Spheres of government

The Division of Revenue Bill provides for the division of revenue between and among the three spheres of government on an annual basis as per Sections 214(1)(a) to (c) of the Constitution. In terms of section 10(1) of the Intergovernmental Fiscal Relations Act (IGFR) (Act 97 of 1997) this Bill must be tabled when the annual Budget is tabled in the National Assembly

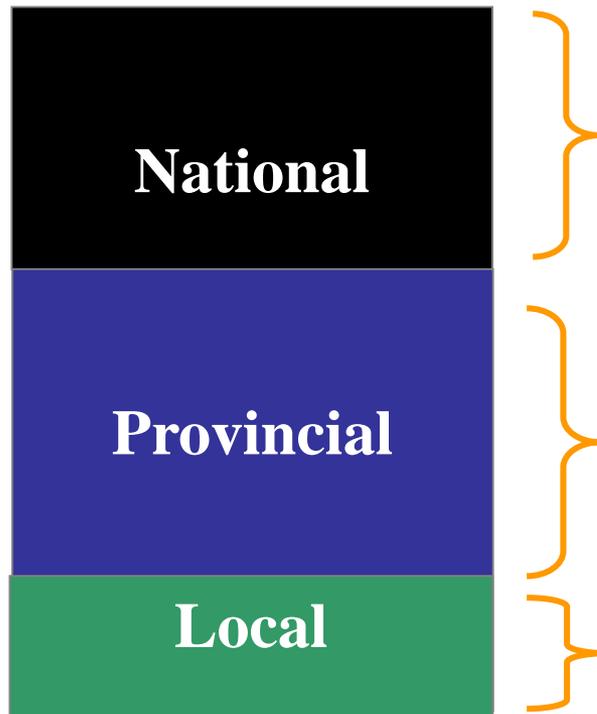
## Allocation of revenue

### sources:

E.g.: Income tax, VAT, customs duties

E.g.: vehicle licenses, hospital charges and gambling taxes

E.g.: rates on property, surcharges on service fees like electricity



### National government:

- Delivers functions like policing, international cooperation, defence, higher education etc.
- Responsible for policy development & oversight
- Sets priorities through legislation, norms and standards or political statements

### Provinces:

- Deliver functions like basic education, health, social development, agriculture etc.
- Generally fund national priorities

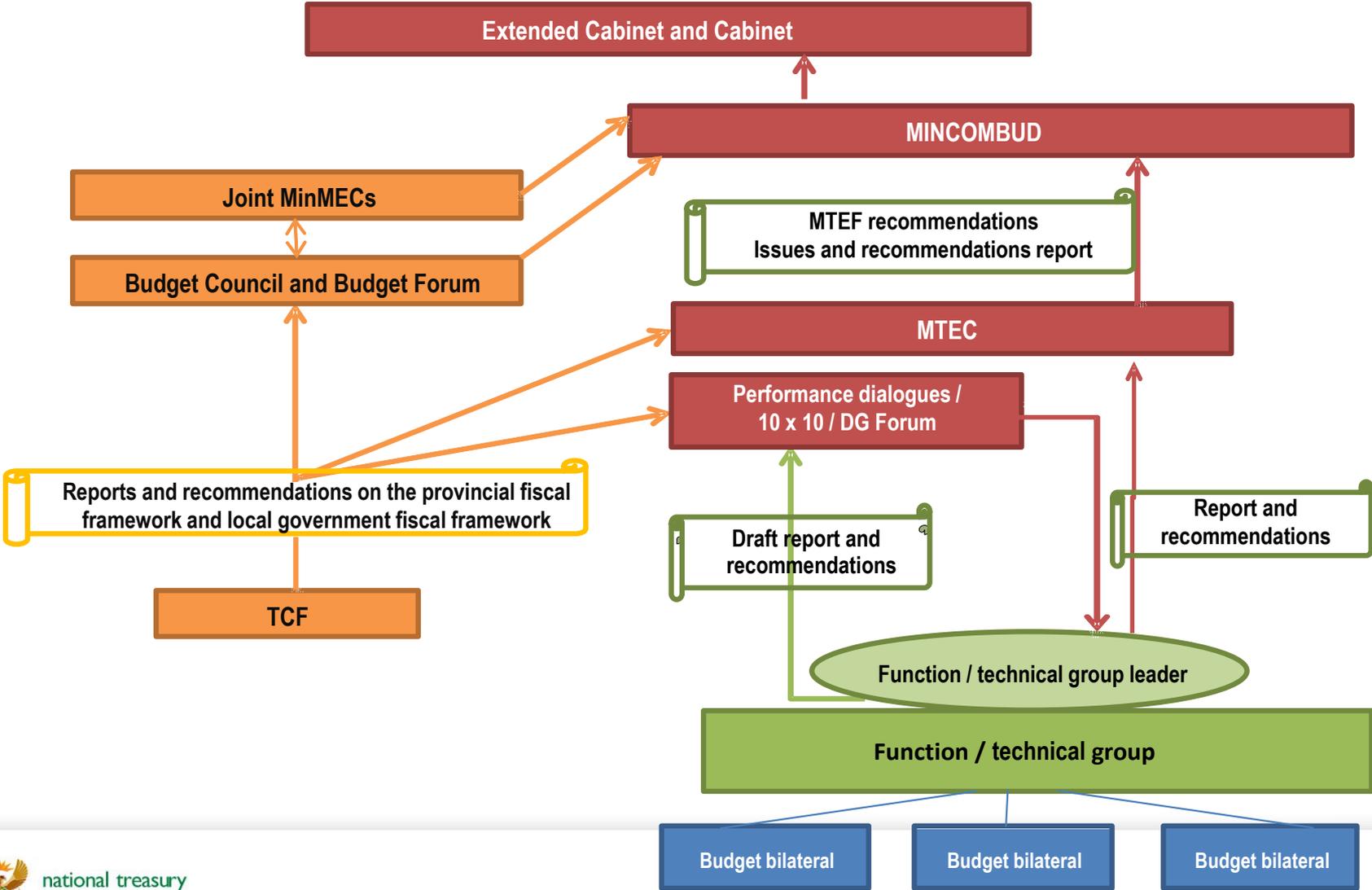
### Municipalities:

- Delivers functions like water, sanitation, refuse removal
- Have more autonomy on what their resources are spent on

# Role-players in the budget process

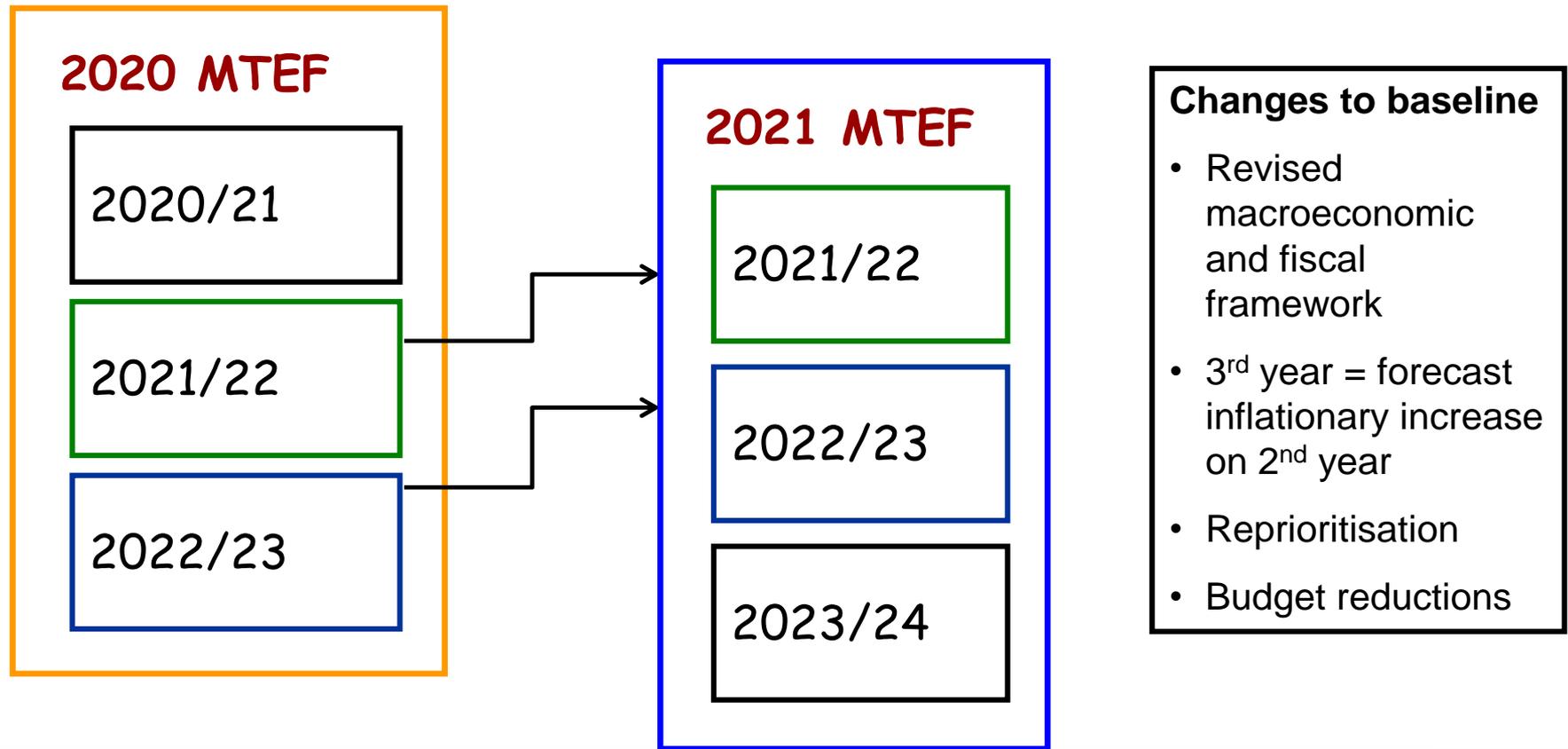
- **Legislatures**
  - National Assembly and the National Council of Provinces
  - Appropriations Committees; Finance Committees; Portfolio Committees
  - Provincial Legislatures
- **Executive - Political**
  - Extended Cabinet
  - Cabinet
  - Minister's Committee on the Budget (MINCOMBUD)
- **Executive – Technical**
  - Minister's Committee on the Budget Technical Committee
  - National Treasury
  - Departments and public entities
- **Required by the Constitution and Intergovernmental Fiscal Relations Act:**
  - Financial and Fiscal Commission (FFC)
  - Provincial governments - the Budget Council
  - Organised local government - the Budget Forum
  - Various intergovernmental forums exist at both the political and technical level to give effect to the constitutional imperative for cooperative governance

# Executive: technical and political structures



# How the Medium Term Expenditure Framework works

- MTEF approach adopted in 1997
- Budget compiled for three years but appropriated annually



# Budget preparation summary

- July: Departments submit their estimates of expenditure for the MTEF based on their strategic plans
- July: Performance indicators contained in submissions are aligned to those reflected in strategic and annual performance plans as informed by the National Development Plan (NDP), the SoNA, the Medium Strategic Framework (MTSF) and the stated high level priorities
- Aug & Sept: The MTEC, an interdepartmental committee - comprising of the DG's of the National Treasury, Department of Public Service and Administration (DPSA), DPME, and Cooperative Governance and Traditional Affairs (CoGTA) - considers the allocation of funds in respect of each function in line with the priorities of government
- Sept: Medium Term Expenditure Committee (MTEC) makes recommendations to Ministers' Committee on the Budget
- Oct: Medium Term Budget Policy Statement (MTBPS) tabled – highlighting key government priorities, fiscal framework and division of revenue
- Nov: Allocation letters are sent out, including the provision for earmarking certain amounts or set conditions
- Jan & Feb: Budget documents are then prepared
- End Feb: Budget document are tabled in the Legislature

# National Treasury's technical role

- **Budget Office (BO):** Provides the overall Fiscal Framework based on the macroeconomic forecast
- **Inter-governmental Relations (IGR):** Proposes the Division of Revenue between the 3 spheres based on above, and decisions made at a political level on priorities
- **BO:** Provides technical guidelines for budget submissions
- **Public Finance (PF):** Evaluates budget submissions and ensure that they reflect key government priorities
- **PF:** Maintains on going communication with other central government departments
- **PF:** Makes budget recommendations to MTEC
- **BO, IGR and PF:** Makes recommendations to Budget Council and Ministers' Committee on the Budget (who in turn make recommendations to Cabinet and Extended Cabinet)
- **BO, IGR and PF:** Prepares budget documentation
- **BO, IGR and PF:** Briefs Parliamentary Committees in respect of budget documentation tabled

# Parliamentary process

- Money Bills Amendments Procedure and Related Matters Act sets out **Parliament's** role in the budget process and enhances stakeholder participation and coordination
- The MTBPS, is discussed in **Parliament**
  - Report issued before Executive finalises the budget
- The Budget is dealt with by the **Standing Committees on Finance and Appropriations** comprising members of both houses
- Individual **Portfolio Committees** dissect the budget and strategic plan for each national department
- **Parliament** votes first on the Fiscal Framework, then Division of Revenue and then Appropriation Bill
- **Public Accounts Committee** deals with post-facto issues raised by Auditor General

# The Structure of the Budget Documents



[national treasury](#)

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Structure of Budget Documents

In February each year, the Minister of Finance tables before Parliament the following:

- The Budget Speech - besides the verbal delivery of the budget speech in Parliament, the speech is also published in document format.
- The Budget Review
- The Estimates of National Expenditure
- The Division of Revenue Bill
- The Appropriation Bill

# What does the law say?

- The Money Bills Amendment Procedure and Related Matters Amendment Act, 2018 requires that after the tabling of a national budget:
  - Section 8(3) – Committees on finance must within 16 days or as soon as reasonably possible thereafter, submit a report to the National Assembly and the National Council of Provinces on the fiscal framework and revenue proposals
  - Section 9(3) – The Division of Revenue Bill (DORA) must be passed within 35 days after the adoption of the fiscal framework by Parliament, or as soon as reasonably possible thereafter
  - Section 10(7) – Parliament must pass the Appropriation Bill with or without amendments, within four months after the start of the financial year, namely 31 July 2019

# The Budget Review

The Budget Review is a single document, typically comprising the following:

- An Economic Outlook chapter
- A Fiscal Policy chapter, which presents South Africa's consolidated fiscal framework, and the government's fiscal stance over the medium term
- A chapter on Revenue Trends and Tax Proposals
- A chapter on Consolidated Spending Plans, which outlines government's spending projections over the next three financial years by function and economic classification
- A Division of Revenue chapter, which outlines the division nationally raised revenue to national departments, provinces and municipalities through the equitable share and otherwise, as well as spending by provinces and municipalities
- A chapter on Government Debt and Contingent Liabilities
- A chapter of the Financial Position of Public Sector Institutions

# The Division of Revenue Bill

The Division of Revenue Bill provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. The Division of Revenue Bill comprises of:

- Equitable share allocations
- Conditional allocations to provinces and municipalities, including for each grant a framework outlining allocation criteria, conditions, etc.
- Matters relating to all allocations
- Duties and powers of municipalities, provincial treasuries and national treasury

# Appropriation Bill

Linked to Section 9, a report of the Committee on Appropriations to the House that proposes amendments to the main Appropriation Bill must, in respect of each amendment indicate the reason for such proposed amendment;

- Demonstrate how the amendment takes into account the broad strategic priorities and allocations of the relevant budget
- Demonstrate the implications of each proposed amendment for an affected vote and the main divisions within that vote
- Demonstrate the impact of any proposed amendment on the balance between transfer payments, capital and recurrent spending in an affected vote
- Set out the impact of any proposed amendment on service delivery
- Set out the manner in which the amendment relates to prevailing departmental strategic plans, reports of the Auditor General, committee reports adopted by a House, reports in terms of section 32 of the Public Finance Management Act, annual reports and any other information submitted to a House or committee in terms of the standing rules or on request
- When providing a motivation in this context, it would be necessary to link reports from other committees like SCOPA, Portfolio Committees, Auditor-General, SCOA report, Strategic Plans, Annual performance plans etc

# Appropriation Bill

- The Appropriation Bill is the legislation that provides for the appropriation of money by Parliament from the National Revenue Fund in terms of section 213 of the Constitution, 1996 and section 26 of the Public Finance Management Act (PFMA), 1999
- To appropriate money from the National Revenue Fund (by vote - department, programme and main economic classification) for the requirements of the State for a financial year and to prescribe conditions for the withdrawal of funds
- Spending is subject to the PFMA and the provisions of the Appropriation Bill itself
- For transfers to sub-national government, the 2019 Division of Revenue Bill also contains provisions in terms of which specific spending must take place
- The committees on appropriations may not consider amendments to the Appropriation Bill prior to the passing of the Division of Revenue Bill
- Any amendment to the Appropriation Bill must be consistent with the adopted fiscal framework and Division of Revenue Bill passed by Parliament.
- Prior to the 2019 Appropriation Bill being promulgated, departments will incur expenditure in terms of section 29 of the PFMA, which makes provision for spending before an annual budget is passed:
  - Up to end July, expenditure may not exceed 45 per cent of the 2018/19 financial year annual budget

# Structure of the Bill

- The Bill is divided by vote and by main division within a vote (i.e. by programme and / or transfer and subsidy to a national department within a vote)
- A purpose is set out for each vote, programme and transfer and subsidy to a national department within a vote
- Allocations are categorised in terms of:
  - Current payments
    - Compensation of employees
    - Goods and services
    - Interest and rent on land
  - Transfers and subsidies
  - Payments for capital assets
  - Payments for financial assets
- Allocations marked with a single asterisk refer to specifically and exclusively appropriated allocations, including, but not limited to:
  - all vote and national departments compensation of employees appropriations; and
  - conditional grants (also listed in the Division of Revenue Bill, 2019)

# Specifically & exclusively appropriated amounts

An amount that is marked specifically and exclusively in Schedule 1 or 2 to this Act, may be used only for the purpose indicated, unless the amount or purpose, is amended by, or in terms of, an Act of Parliament. There are a large number of these items and they include:

- All conditional grants (direct and indirect)
- All compensation of employees
- All compensation linked to capital projects
- All funding allocated to national departments within a vote
- All funding allocated to constitutional institutions
- Social grants
- Contractual membership fees to multilateral institutions
- Commitments that binds the National Revenue Fund such as the rolling stock fleet renewal programme in PRASA and contributions to the reduced Gauteng Freeway Improvement Programme tariffs based on the 2015 new dispensation

# Associated Documents

- Estimates of National Expenditure (ENE) publications need to provide comprehensive information on how national government votes and entities have spent their budgets in the past, how they plan to spend their budgets in the future, and on resources generated
- A self-contained detailed ENE e-publication is compiled for each vote
- The abridged ENE publication is the explanatory memorandum to the Appropriation Bill
- The abridged ENE publication only has information related to each national vote and selected public entities.
- This abridged ENE explains the intent of the Appropriation Bill which is a [legislative](#) motion that authorizes the [government](#) to spend money; it also sets money aside for specific spending purposes - This means that in essence the Appropriation Bill is the budget itself, but the ENE breaks down its content into further detail.

# The Estimates of National Expenditure

- This a detailed presentation of expenditure outcomes for the past three financial years, the revised estimate for the current financial year and expenditure estimates for the following three financial years
- The information is presented per government vote in accordance with each vote's budget programme structure, further broken down by economic classification
- The information is also presented in Excel format
- Each vote chapter includes a short analysis of expenditure trends and performance objectives over the medium term
- Includes personnel information for each vote, such as establishment structure and number of filled posts per programme and salary level
- Includes public entity budget information

# The Estimates of National Expenditure

Example:

## Expenditure estimates

**Table 17.3 Vote expenditure estimates by programme and economic classification**

Programmes								
1. Administration								
2. Social Assistance								
3. Social Security Policy and Administration								
4. Welfare Services Policy Development and Implementation Support								
5. Social Policy and Integrated Service Delivery								
Programme	Revised estimate	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
				2017/18	2014/15 - 2017/18	2018/19		
R million								
Programme 1	368.8	8.2%	0.2%	383.2	406.4	432.0	5.4%	0.2%
Programme 2	150 880.2	7.7%	94.1%	162 960.7	175 655.6	189 773.5	7.9%	94.3%
Programme 3	7 323.6	3.4%	4.8%	7 880.8	8 324.9	8 785.0	6.3%	4.5%
Programme 4	1 050.3	18.0%	0.5%	1 284.5	1 359.3	1 444.5	11.2%	0.7%
Programme 5	384.9	3.5%	0.3%	392.3	416.5	440.2	4.6%	0.2%
<b>Total</b>	<b>160 007.8</b>	<b>7.6%</b>	<b>100.0%</b>	<b>172 901.6</b>	<b>186 162.6</b>	<b>200 875.2</b>	<b>7.9%</b>	<b>100.0%</b>
Change to 2017 Budget estimate				(285.1)	52.8	2 014.1		
Economic classification								
Current payments	858.9	3.8%	0.6%	888.3	948.6	1 008.4	5.5%	0.5%
Compensation of employees	476.8	7.8%	0.3%	490.4	527.4	567.0	5.9%	0.3%
Goods and services	382.1	-0.5%	0.3%	397.9	421.1	441.4	4.9%	0.2%
Transfers and subsidies	158 752.3	7.5%	99.4%	172 002.3	185 202.4	199 854.5	8.0%	99.4%
Provinces and municipalities	556.4	167.7%	0.1%	758.4	805.7	858.8	15.6%	0.4%
Departmental agencies and accounts	7 408.5	2.1%	4.9%	7 964.8	8 411.9	8 875.1	6.2%	4.5%
Higher education institutions	2.0	–	0.0%	1.5	–	–	-100.0%	0.0%
Foreign governments and international organisations	7.0	23.9%	0.0%	7.1	7.1	7.3	1.7%	0.0%
Non-profit institutions	132.6	20.6%	0.1%	154.2	162.8	171.8	9.0%	0.1%
Households	150 645.9	7.7%	94.3%	163 116.2	175 814.9	189 941.6	8.0%	94.4%
Payments for capital assets	11.1	-14.5%	0.0%	11.1	11.6	12.3	3.2%	0.0%
Machinery and equipment	10.6	-14.6%	0.0%	10.5	11.0	11.6	3.1%	0.0%
Software and other intangible assets	0.5	5.0%	0.0%	0.6	0.6	0.6	5.6%	0.0%
Payments for financial assets	385.4	–	0.1%	–	–	–	-100.0%	0.1%
<b>Total</b>	<b>160 007.8</b>	<b>7.6%</b>	<b>100.0%</b>	<b>172 901.6</b>	<b>186 162.6</b>	<b>200 875.2</b>	<b>7.9%</b>	<b>100.0%</b>

# Adjusted Estimates of Expenditure

In October each year, the Minister of Finance tables a “mini-budget” before Parliament, with the documents including:

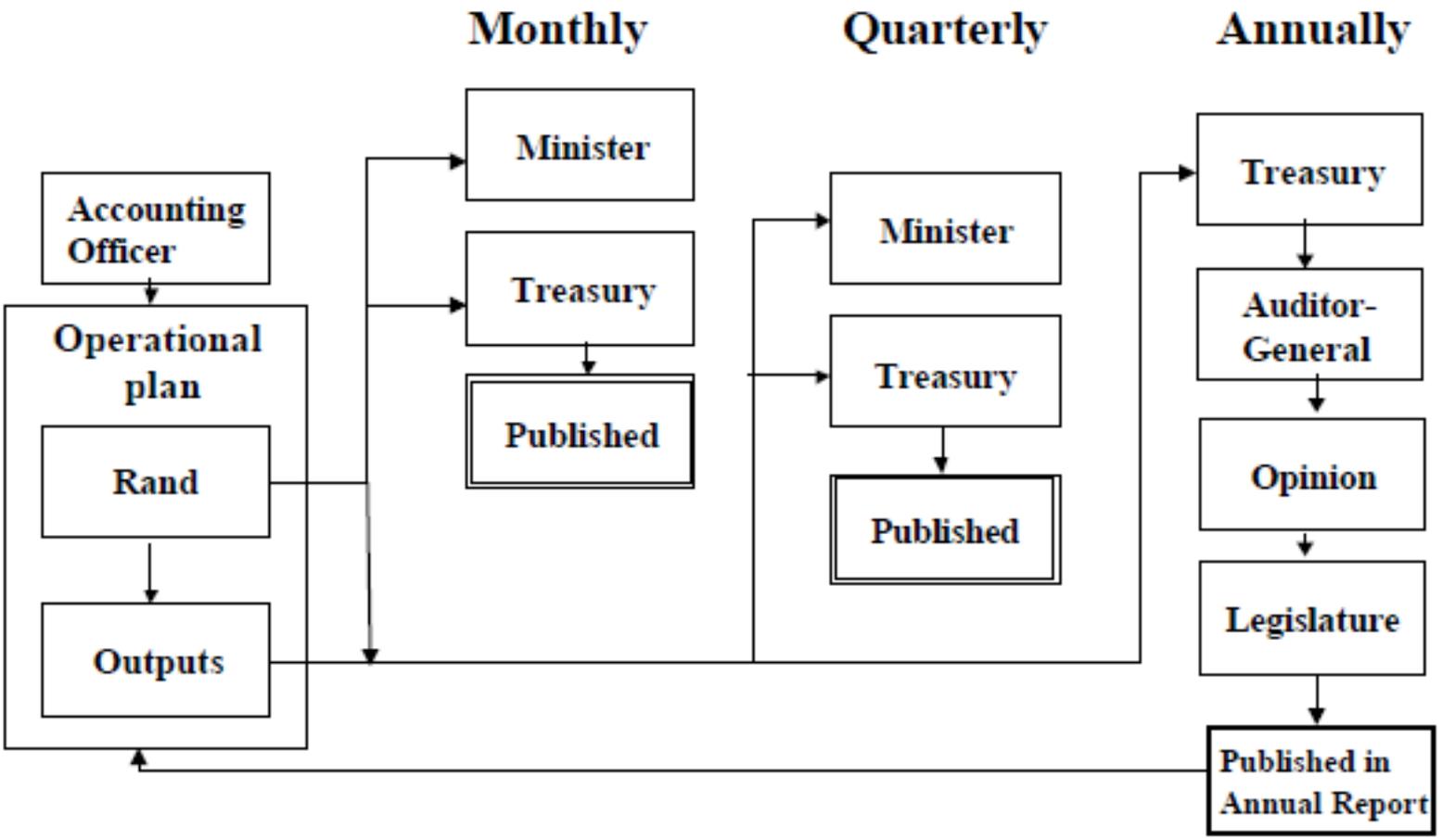
- The Medium Term Budget Policy Statement Speech
- The Medium Term Budget Policy Statement
- The Adjusted Estimates of National Expenditure,
- The Division of Revenue Bill, and
- The Adjusted Appropriation Bill

# Monitoring In-year Expenditure

# Legislation and background

- The reporting requirements specified in sections 32 and 40(4) of the PFMA, and also in sections 7 to 9 of DoRA, require that expenditure and revenue information for all programmes be provided each month to the national Treasury
- Failure to provide this information as prescribed in the Acts is not only irregular and constitutes grounds for sanctions under the Act to take effect, but also reflects lack of accountability and may negatively impact on the financial planning of government
- The monitoring of financial data is an essential element in managing the performance of any spending agency. Public Finance division is one of the divisions in the National Treasury responsible for the monitoring and evaluation of, and reporting on financial data

# Process followed



# Content of the monthly report

- The accounting officer must submit to the relevant treasury and executive authority within 15 days of the end of each month, information on:
  - the actual revenue and expenditure for that month, in the format determined by the National Treasury
  - projections of anticipated expenditure and revenue for the remainder of the current financial year in the format determined by the national Treasury
  - information on conditional grants received and actual spending against them
  - information on all transfers
  - any material variances and a summary of actions to ensure that the projected expenditure and revenue remain within the budget



# Monthly feedback reports by National Treasury

- The National Treasury: Public Finance should, according to the National Treasury's annual performance plan, evaluate and respond to departments based on the data reported in the 40(4) of the PFMA reports within 2 weeks after the receipt of these reports from departments
- The following basic questions arise when evaluating reports submitted by departments;
  - What has happened so far, and why?
  - How does it impact on the rest of the year?
  - What intervention strategies are required, if any?

# Quarterly reports to SCOA

- The National Treasury: Public Finance submits to SCOA, within 6 weeks after the end of each quarter, a consolidated expenditure report on the National Budget for preceding quarter of the financial year
- The report provides a breakdown of preliminary cumulative expenditure for each of the national votes, with emphasis on the most significant preliminary expenditure patterns (comparing expenditure to the overall budget, as well as projected spending for the relevant period) across government
- Focus is also given to the expenditure reported per programme of a national vote, as well as items that are specifically and exclusively appropriated which mainly comprise of compensation of employees, and transfers to public entities and other government institutions
- Any significant issues identified through the monthly evaluation of spending by national departments are brought to the attention of Parliament (SCOA) through these reports

# Section 32 of the PFMA report

- Section 32 of the PFMA requires the National Treasury to, within 30 days after the end of each month, publish in the national Government Gazette actual revenues ( and expenditures in relation to the National Revenue Fund
- The statement published by the National Treasury in terms of section 32 of the PFMA include;
  - Actual revenue for the relevant month, and for the financial year to the date of the relevant reporting period
  - Actual expenditure for the relevant month, and for the financial year to the date of the relevant reporting period (distinguish between current and capital expenditure)
  - Actual borrowings for the relevant month, and for the financial year to the date of the relevant reporting period

# Example of a section 32 report

Summary table of national revenue, expenditure and borrowing for the month ended 30 June 2019

R thousand	Table	2019/20			2018/19		
		Budget estimate	June	Year to date	Preliminary outcome	June	Year to date
Revenue	1	1 403 464 376	147 241 478	317 986 713	1 272 231 579	142 607 048	297 856 654
Expenditure	2	1 658 707 425	123 635 470	375 451 224	1 505 088 788	108 795 264	325 441 766
Appropriation by vote	2	882 647 777	59 534 955	201 882 196	819 267 492	50 037 279	178 366 372
Direct charges against the NRF	2	743 849 648	64 100 515	173 569 028	685 821 296	58 757 985	147 075 394
<i>Debt-service costs</i>		202 207 844	20 232 557	28 094 703	181 850 014	18 025 448	24 331 290
<i>Provincial equitable share</i>		505 553 753	42 129 482	126 388 448	470 286 510	39 190 546	117 571 639
<i>General fuel levy sharing with metropolitan municipalities</i>		13 166 793	-	-	12 468 554	-	-
<i>Eskom - payment in terms of Section 16(1) of the PFMA</i>		-	-	13 500 000	-	-	-
<i>Skill Levy and SETAs</i>		18 758 510	1 412 283	4 448 491	17 479 895	1 251 627	4 155 011
<i>Other costs</i>		4 162 748	326 193	1 137 386	3 736 323	290 364	1 017 454
Provisional allocation for contingencies not assigned to votes		10 000	-	-	-	-	-
Infrastructure fund not assigned to votes	2	1 000 000	-	-	-	-	-
Provisional allocation for Eskom restructuring		23 000 000	-	-	-	-	-
Compensation of employees and other baseline adjustments		(4 800 000)	-	-	-	-	-
Contingency reserve		13 000 000	-	-	-	-	-
<b>Main budget balance</b>		<b>(255 243 049)</b>	<b>23 606 008</b>	<b>(57 464 511)</b>	<b>(232 857 209)</b>	<b>33 811 784</b>	<b>(27 585 112)</b>
<b>Financing of the net borrowing requirement</b>							
Domestic short-term loans (net)	3	25 000 000	21 645 154	66 110 177	14 060 578	(1 919 504)	4 592 689
Domestic long-term loans (net)	3	185 404 000	19 205 091	62 722 536	169 474 110	16 303 700	43 615 589
Foreign loans (net)	3	(20 972 000)	-	(25 875 834)	23 216 430	-	24 309 027
Change in cash and other balances <sup>1</sup>	3	65 811 049	(64 456 253)	(45 492 368)	26 106 091	(48 195 980)	(44 932 193)
<b>Total financing (net)</b>		<b>255 243 049</b>	<b>(23 606 008)</b>	<b>57 464 511</b>	<b>232 857 209</b>	<b>(33 811 784)</b>	<b>27 585 112</b>

1) A negative value indicates an increase in cash and other balances. A positive value indicates that cash is used to finance part of the borrowing requirement.

# Reporting on Public entities

# Establishment of Public Entities

- PEs are established in the Public Sector, but outside the Public Service, typically for reasons of:-
  - (a) strategic, social or economic intervention by the State or to deal with strategic risks and dangers that the State or society faces to its security, health, prosperity or wellbeing; and/or
  - (b) adopting commercial and business principles in service delivery when it is required; and/or
  - (c) signalling that there is need for more operational autonomy, yet retaining accountability in the delivery of services

# Types of public entities

- Schedule 1: Constitutional institutions e.g. Public Protector, Financial and Fiscal Commission, Independent Electoral Commission, Independent Broadcasting Authority
- Schedule 2: Major public entities e.g. ESKOM, DENEL, Airports Company, Telkom SA
- Schedule 3
  - Part A: National government public entities e.g. Road Accident Fund, Wage Board
  - Part B: National government business enterprises e.g. PRASA, Rand Water Board
  - Part C: Provincial public entities e.g. EC Parks & Tourism Agency
  - Part D: Provincial business enterprises e.g. Ithala Development Finance Corporation

# Background

- Prior to issue of the Treasury instruction note, the public entity accounting officer had to establish quarterly reporting procedures, and as result makes it difficult or impossible to compare different set of submissions
- Public entities used to report only during the budget time (MTEC & ENE). Although other various systems were in place to source information, such as borrowings, guarantees and capital projects by ALM, information was fragmented as there was no formal in-year or quarterly reporting process
- This left a gap in terms of periodic monitoring through the analysis of these entities performance, and inform budget decisions. On the other hand SARB & Stats SA had separate systems of data collect, which further fragmented the information

# Reporting Requirements

- Entities must within 30 days after the end of each quarter submit their quarterly reports in prescribed templates to the Executive Authorities as well as to the National Treasury
- Accuracy and completeness of the reports must be confirmed by the signature of the Accounting Officer or Accounting Authority of the entity
- Auditor General conducts an audit on the performance information received from PEs
- Entities are also required to submit their budgets to National Treasury during the MTEC and ENE budget processes for oversight and monitoring purposes
- National Treasury report to the SCOA committee on a quarterly basis on certain entities

# Reporting Timelines

- **Reporting dates are as follows:**
  - For Quarter 1 ending 30 June; Report by 31 July
  - Quarter 2 ending 30 September; 31 October
  - Quarter 3 ending 31 December;= 31 January
  - Quarter 4 ending 31 March; 30 April
- **For the Water Boards**
  - Quarter 1 ending 30 September; Report by 31 October
  - Quarter 4 ending 30 June; 31 July

# Legislation

- Section 26(1)(1) of the Treasury Regulations requires 3A and 3C public entities to report on a quarterly basis to their Executive Authority
- Section 29(2)(1) of the Treasury Regulations requires the accounting authority for a public entity listed in Schedule 2, 3B or 3D to, in consultation with its executive authority, annually conclude a shareholder's compact
- Section 29(3)(1) of the Treasury Regulations requires the accounting authority of a public entity to establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action
- Sections 40(1)(f) and 51(1)(f) of the PFMA require that Accounting Authorities of public entities and constitutional institutions are responsible for the submission of all reports , returns, notices and other information to Parliament or the relevant provincial legislature and to the relevant Executive Authority or the National Treasury as may be required by the Act
- Treasury Regulation 25(1)(3) further requires public entities to submit all information required by National Treasury in terms of the PFMA and the Treasury Regulations

# Why the need to report?

- State of the public sector's finances have gained increased attention in recent times
- Focus is as a result of poor financial management, poor audit outcomes, and lack of service delivery
- To hold officials accountable and make decisions, increased scrutiny of information in Financial Statements
- To improve transparency and oversight in relation to financial and non-financial performance of entities
- The idea is to enable institutions to review progress towards the achievement of financial and non-financial performance on a regular basis in a particular financial year

# Importance of data collection

- Tracking fiscal performance on a more regular basis
- Quarterly consolidated position of government
- In year monitoring of revenue and spending by government units
- Regular wage bill analysis
- Management of public sector debt
- Reporting to international institutions RSA is affiliated to
- Input into the quarterly calculation of the GDP
- Non-financial information - assessing progress towards predetermined service delivery or performance targets
- All this is in order to facilitate effective performance monitoring, evaluation and corrective action
- National Departments, National Treasury (ALM, PF, BO), SARB, Stats SA
- The Department of Planning, Monitoring and Evaluation also require non-financial information from public entities.

# Challenges in reporting on public entities

- System for verification of data
  - Data provided by public entities (either to their relevant executive authorities or NT) is not on the Basic Accounting System (BAS) and thus cannot be verified
- They do not have budget programme structures like a department that are approved by the relevant treasury and hence:
  - their 'programmes' are not necessarily linked to deliverable objectives
  - their spending is only in economic classification terms
- Accounting standards: departments use a modified cash basis vs. accrual accounting for public entities
  - The main difference between accrual and cash basis accounting lies in the timing of when revenue and expenses are recognised
  - The cash method accounts for revenue only when the money is received and for expenses only when the money is paid out **VS** in accrual accounting where revenue/expenditure is recorded even if the cash has not yet been received/paid

# Challenges in reporting on public entities

- In accrual accounting, when you purchase a long-lived asset, such as a vehicle, a building or a computer, you don't immediately write off the full cost as an expense. Rather, you spread the cost over the expected life of the asset, an accounting procedure known as depreciation
- In relation to capital expenditure in public entities, only the portion of funds that will be spent is recognised as expenditure, the rest is accounted for on the balance sheet as deferred income
- Number and type of public entities do not enable a comparative analysis (Service delivery agencies, Regulators, Development Finance Institutions, Social Security Funds)
- Different financial years – e.g. water boards operate on the municipal financial year from July to June (not on the April to March financial year)

# Statement of financial position (RAF draft 18/19)

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		2019	2018
	Note(s)	R '000	R '000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	908 002	1 567 189
Receivables from non-exchange transactions	4	9 851 359	7 824 329
Receivables from exchange transactions	5	6 451	6 229
Other financial assets	6	175 658	160 076
Consumable stock	7	5 867	5 345
		<b>10 947 337</b>	<b>9 563 168</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	206 092	191 859
Intangible assets	9	66 339	51 286
		<b>272 431</b>	<b>243 145</b>
<b>Total Assets</b>		<b>11 219 768</b>	<b>9 806 313</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	210 019	249 979
Other financial liabilities	11	51 988	208 013
Claims liabilities	12	40 624 352	38 268 456
Other provision	13	1 092 115	313 664
Operating lease liability	15	2 201	4 916
		<b>41 980 675</b>	<b>39 045 028</b>
<b>Non-Current Liabilities</b>			
Claims liabilities	12	231 290 230	177 034 368
Employee benefit obligation	14	63 107	65 500
Operating lease liability	15	486	1 997
		<b>231 353 823</b>	<b>177 101 865</b>
<b>Total Liabilities</b>		<b>273 334 498</b>	<b>216 146 893</b>
<b>Net Assets</b>		<b>(262 114 730)</b>	<b>(206 340 580)</b>
<b>Net Assets</b>			
<b>Reserves</b>			
Revaluation reserve		93 328	87 598
Accumulated deficit		(262 208 058)	(206 428 178)
<b>Total Net Assets</b>		<b>(262 114 730)</b>	<b>(206 340 580)</b>



# Statement of financial performance (RAF)

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

	Note(s)	2019 R '000	2018 R '000
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Other income	17	1 400	407
Investment revenue	18	99 153	90 046
<b>Total Revenue from Exchange Transactions</b>		<b>100 553</b>	<b>90 453</b>
<b>Revenue from Non-exchange Transactions</b>			
<b>Transfer revenue</b>			
Net fuel levies	16	43 138 770	37 250 841
<b>Total Revenue</b>		<b>43 239 323</b>	<b>37 341 294</b>
<b>Expenditure</b>			
Claims expenditure	19	(96 404 834)	(61 345 597)
Depreciation and amortisation		(50 527)	(41 401)
Employee costs	21	(1 735 302)	(1 605 147)
Finance costs	22	(291 126)	(223 657)
Reinsurance premiums	20	(21 761)	(21 547)
Loss on disposal of assets and liabilities		(470)	(870)
General expenses	23	(515 183)	(454 265)
<b>Total Expenditure</b>		<b>(99 019 203)</b>	<b>(63 692 484)</b>
<b>Deficit for the Year</b>		<b>(55 779 880)</b>	<b>(26 351 190)</b>



# Cash flow statement (RAF)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note(s)	2019 R '000	2018 R '000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Fuel levies		41 890 191	36 048 140
Interest income		98 931	91 015
Other income		1 400	407
		<b>41 990 522</b>	<b>36 139 562</b>
<b>Payments</b>			
Employee costs		(1 735 302)	(1 605 147)
Claims paid		(39 793 076)	(34 049 350)
Finance costs		(291 126)	(223 657)
Reinsurance premiums		(21 761)	(21 547)
Other expenditure		(733 891)	(258 968)
		<b>(42 575 156)</b>	<b>(36 158 669)</b>
<b>Net Cash Flows from Operating Activities</b>	27	<b>(584 634)</b>	<b>(19 107)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	8	(37 007)	(39 417)
Purchase of other intangible assets	9	(37 546)	(26 673)
<b>Net Cash Flows from Investing Activities</b>		<b>(74 553)</b>	<b>(66 090)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(659 187)</b>	<b>(85 197)</b>
Cash and cash equivalents at the beginning of the year		1 567 189	1 652 386
<b>Cash and Cash Equivalents at the End of the Year</b>	3	<b>908 002</b>	<b>1 567 189</b>



# Tools to strengthen oversight



# Possible ways to make the oversight work of SCoA more efficient and effective

- Each Committee member could be assigned 4/5 departments for a detailed review and assessment of their spending (while still reviewing the spending of all departments)
- The DPME could be requested to present the Quarterly Performance Information to the Committee to ensure spending is aligned to outcomes
- The Committee could engage the Chairs of the sector Portfolio Committees to exchange spending and performance information for those sectors where there are spending and outcomes issues
- The Committee could engage with departments on the key spending issues via requesting reports on specific spending matters, invitations to a SCoA meeting, or site visits
- The Committee research staff and the Parliamentary Budget Office could provide the Committee with more detail on specific spending issues using annual reports, strategic plans, annual performance plans, ENE chapters, data supplied by the NT (on request and on the website), evaluations and other relevant research papers
- The Committee could also invite public participation on specific spending issues

# Glossary



# Glossary

- **Accounting officer** - The public servant who is accountable to Parliament for financial management of a government department, usually the director-general at the national level or head of the department at the provincial level
- **Accrual** - An accounting convention by which payments and receipts are recorded as they occur, even if no cash flow takes place
- **Allocated expenditure** - The part of the national budget that can be divided between the national, provincial and local spheres of government, after interest and the contingency reserve have been taken into account
- **Appropriation** - The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from a provincial revenue fund
- **Baseline** - The initial allocations used during the budget process, derived from the previous year's forward estimates
- **Budget Programmes** - is a main division within a department's budget that funds a clearly defined set of objectives based on the services or functions within the department's legislative and other mandates. It also constitutes a management unit established within a department responsible for the delivery of that defined set of services and functions

# Glossary

- **Capital asset** - Property of any kind, including assets that are movable or immovable, tangible or intangible, fixed or circulating, but excluding trading stock held for the purpose of realising a financial or economic return
- **Capital expenditure** - Spending on assets such as buildings, land, infrastructure and equipment
- **Capital goods** - Durable goods used over a period of time for the production of other goods
- **CoGTA** – Corporate Governance and Traditional Affairs
- **Conditional grants** - Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements
- **Consolidated government expenditure** - Total expenditure by national and provincial government, social security funds and selected public entities, including transfers and subsidies to municipalities, businesses and other entities
- **Consumer price index (CPI)** - The measure of inflation based on prices in a basket of goods and services
- **Current expenditure** - Government expenditure on salaries and goods and services, such as rent, maintenance and interest payments. See also consumption expenditure

# Glossary

- **Depreciation (capital)** - A reduction in the value of fixed capital as a result of wear and tear or redundancy
- **Depreciation (exchange rate)** - A reduction in the external value of a currency
- **Division of revenue** - The allocation of funds between spheres of government, as required by the Constitution. See also equitable share
- **DPME** – Department of Monitoring and Evaluation
- **DPSA** - Department of Public Service and Administration
- **Economic classifications** - distinguishes between various categories of current and capital expenditure
- **Economic growth** - An increase in the total amount of output, income and spending in the economy
- **Equitable share** - The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution. See also division of revenue
- **Financial and Fiscal Commission (FFC)** - An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government
- **Financial year** - The 12 months according to which government budgets and accounts for expenditure. National and Provincial spheres – 1 April to 31 March and Local Government sphere – 1 July to 30 June

# Glossary

- **Government debt** - The total amount of money owed by the government as a consequence of its past borrowing
- **Horizontal equity** - A principle in taxation that holds that similarly situated taxpayers should face a similar tax treatment or tax burden. In other words, taxpayers with the same amount of income or capital should be accorded equal treatment. For example, the fair allocation to different geographical areas that is determined by a set formula
- **Inflation** - An increase in the overall price level of goods and services in an economy over a specific period of time
- **Inventories** - Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period of time
- **Medium Term Budget Policy Statement (MTBPS)** – It highlights the difficult economic and fiscal choices confronting the government over the next several years.
- **Ministers' Committee on the Budget technical committee** - The technical committee responsible for evaluating the medium-term expenditure framework budget submissions of national departments and making recommendations to the MINCOMBUD regarding allocations to national departments
- **Medium-term expenditure framework (MTEF)** – The three-year spending plans of national and provincial governments, published at the time of the Budget

# Glossary

- **Medium Term Strategic Framework (MTSF)** - it is government's five year strategic plan. It provides the commitments made on the elections manifesto of governing party, including plans to implement the NDP. It also outlines the targets to be achieved
- **Ministers' Committee on the Budget (MinComBud)** - The Cabinet Committee that considers key policy and budgetary issues that pertain to the budget process before they are tabled in Cabinet
- **National Budget** - The projected revenue and expenditures that flow through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues
- **National Development Plan (NDP)** - A planning framework prepared by the National Planning Commission that aims to eliminate poverty and reduce inequality by 2030
- **National Revenue Fund** - The consolidated account of the national government into which all taxes, fees and charges collected by the South African Revenue Service and departmental revenue must be paid
- **NT-** National Treasury
- **Priority area** - is a grouping of programmes and/or subprogrammes across departments, which contribute towards a common high-level objective or goal of the government, for example, a key priority in the Medium Term Strategic Framework

# Glossary

- **Public entities-** Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and are regulated by law. They exist at a national, provincial and local level.
- **Public Finance Management Act (PFMA)-**The act regulating financial management of national and provincial government, including the efficiency and effectiveness of public expenditure and the responsibilities of those engaging with government financial management
- **Saving** - The difference between income and spending
- **Subprogramme** - is a constituent part of a programme, that defines the services or activities which contribute to the achievement of the objective(s) of the programme of which it forms a part
- **Vertical equity** - A doctrine in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions. For example, taxpayers with more income and/or capital should pay more tax
- **Virement** - The transfer of resources from one programme to another within the same department during a financial year
- **Vote** - An appropriation voted by Parliament

# Thank you

