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Department:
Public Works and Roads
North West Provincial Government
Republic of South Africa

BUDGET POLICY

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Acronyms

EPE	Estimated of Provincial Expenditure
GRAP	General Recognised Accounting Practice
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
PMTE	Property Management Trading Entity
PFMA	Public Finance Management Act, No .1 of 1999, as amended
TR	Treasury Regulations
SCOA	Standard Chart of Accounts

DEFENITION OF ITEMS

The definitions outline the basic concept and their meanings in terms of the policy document. Definitions are given alphabetical order with the word end followed by its meaning:

Accounting Officer – A person mentioned in section 36 of PFMA. The accounting officer is the Head of the Department.

Adjustment Budget – Review of the appropriated budget in form of section 30 and 31 of PFMA presented to a parliament for inclusion in the main budget for the current fiscal year.

Appropriation – An authorisation by legislature to expend or commit funds.

Budget – A systematic indication of resources needed by an allocated to each organisational unit for carrying out its part of the strategic plan.

Budget Controller – A person responsible in assisting the Programme Manager in budget presentation and aligning with the budget process and ensure their compliance to the structures and standard.

Budget Council Meeting – It is a meeting between the MEC of Finance and his/her counterparts for consultation on budget issues.

The in-year monitoring – is the report intended to act as an “early warning system” for budget spending and to guide corrective action or control measures necessary to ensure that budget spending is effectively managed.

Expenditure - Money spend on operating and capital expenditure.

Incremental Based Budgeting – A programme require funding in multiple years in order to achieve certain outcome.

Medium Term Expenditure Framework (MTEF) – is an annual budget that includes a spending three years: referred to as multi – year budgeting.

Performance Based Budget is a tool that program administrators can use to manage more cost-efficient and effective budgeting outlays.

Personnel Salary System (PERSAL) – Payroll system, including employee related data used by most National and Provincial Departments.

Programme Manager - Chief Directors (Head of Programmes)

Roll – Over – is when funds not spend in a particular financial year made available for spending in a subsequent financial year.

Standard Chart of Account (SCOA) - is a detailed coding system, which is itemised in line with the National Expenditure Reporting Framework (NERF) and Government Financial Statistics (GFS). It has also been integrated with the Basic Accounting System (BAS), PERSAL and WALKER computer systems.

Unauthorised Expenditure- Overspending of a vote or a main division within vote expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Virement is when a saving from the amount appropriated under a main division within a vote is utilised to defray over spending in another main division of the same vote.

Vote – means one of the main segment into which an Appropriation Act is divided and which specifies the total amount which is usually appropriated per Department in an Appropriation Act, and is separately approved by Parliament or a Provincial Legislature, as may be appropriate, before it approves the relevant draft Appropriation Act as such.

Zero – Based Budgeting – The budget is being compiled for the first time, i.e budget compilation start from a zero baseline. Managers must plan their expenditure and present it to senior management for view, approval and consolidation.

1. PURPOSE AND OBJECTIVES

1.1 The purpose of this policy is to guide/advise all the programme managers in the Provincial Department of Public Works and Roads of the policy and procedures regarding the compilation, management, and administration of the budget.

1.2 To outline the roles and responsibilities of Accounting Officer, Chief Financial Officer, EXCO members, all Programme Managers, Budget Controllers, and Budget Committee members towards the effective administration of the budget resources.

1.3 Section 45 of the PFMA requires an official of the Department to be responsible for the effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility and to take effective and appropriate steps to prevent, within that official's area of responsibility, any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue due.

2. BACKGROUND

2.1 Section 215 of the Constitution states that national, provincial and budgets and budgetary process must promote transparency, accountability and effective financial management of the economy, debt and the public sector.

2.2 The PFMA, Chapter 4: National and Provincial Budgets, section 28, requires department to prepare multi-year budget projection. The Act specifies that this multi – year budget projection must provide details of estimated revenue, capital and operating expenditure for the period and key macro-economic projections.

2.3 The PFMA, CHAPTER 5: Departments and Constitutional Institutions, section 38(1) (a)(i), requires the Accounting Officer of Departments to ensure that the Department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

2.4 The compilation of the MTEF is guided by National Treasury's annual budget circulars that prescribe the process, formats and specific content required.

3. SCOPE

3.1 The Budget policy applies to the Department of Public Works and Roads employees unless otherwise indicated.

4. LEGISLATIVE FRAMEWORK

4.1 This policy exists from, and should be read together with, but not limited to, the following:

4.1.1 Constitution of the Republic of South Africa, 1996

4.1.2 Public Finance Management Act No 1 of 1999, as amended:

4.1.3 Treasury Regulations, issued in March 2005

4.1.4 Practice/Instruction Notes and Guidelines by the National Treasury from time to time.

4.1.5 Departmental circulars and instructions from time to time.

5. POLICY FORMULATION PROCESS

5.1 The budget circle

5.1.1 The budget circle is chronological sequence of budgetary or budget- related events taking place over a period of twelve months. It commences with the departmental Strategic Plan for the forthcoming Medium Term Expenditure Framework (MTEF) and ends with the Adjustments Estimates of Provincial Revenue and Expenditure (AEPRE). Each year National Treasury issues a budget schedule to Departments indicating important dates for submitting budget submission and budgetary events.

5.1.2 The Chief Financial Officer must ensure compliance with any annual budget circular issued by Provincial Treasury by drafting and distributing an approved departmental budget cycle with table to all relevant players.

5.2 Format and budget submissions

5.2.1 The Chief Financial Officer (CFO) should ensure that the budget submission for the Vote includes relevant supporting information in respect of constitutional institutions and public entities that may receive transfer payments from the Vote.

5.2.2 The annual budget documentation, as presented to Parliament must confirm to the formats are determined by the National and Provincial Treasury.

5.3 Approach to budget formulation

5.3.1 The budget is projected expenditure and revenue targeted by the department over the period of three years circle. Department will perform financially, accurate budget estimates will ensure that departmental resources such as money, people and assets are effectively utilised to achieve service delivery objectives.

5.3.2 The commended approach for departmental budgeting is the bottom up approach whereby line managers “own” their budgets: key performance indicators are linked to performance contracts and line managers are committed and motivated to achieve the Departments service delivery objective.

5.4 The Medium Term Expenditure Framework

5.4.1 Each year the Provincial Treasury issues (MTEF) guidelines or a “budget circular” to Departments for preparation of Medium Term Expenditure Framework budget submission. The guidelines are issued as envisage in the Treasury Regulation in terms of section 76 of the PFMA.

5.4.2 The Medium Term Expenditure Framework details three-year rolling expenditure and revenue plans for Provincial Departments.

5.4.3 The Medium Term Expenditure Framework has the following advantages.

5.4.4 Greater certainty as policy priorities are set out in advance, allowing the Departments to plan and budget for delivery of service in line with policy priorities.

5.4.4.1 Affordable spending in the medium term as the Department plan and spend on programmes according to an agreed three-year expenditure plan.

5.4.4.2 Strengthened political decision-making and accountability as policy choice maybe linked more effectively to spending plans and to the delivery of services.

5.4.4.3 Improved management of public finances are governments medium-term fiscal targets, tax policy debt management maybe linked to the agreed spending commitments.

5.4.5 The Medium Term Expenditure Framework is based on set of principle that revolve around:

5.4.5.1 Fiscal policy and the budget framework:

5.4.5.2 Policy priorities and public expenditure:

5.4.5.3 Political oversight of the budget process; and

5.4.6.4 Budgeting for services delivery

5.4.6 In compiling the three years MTEF budget submission the following must be taken into account:

5.4.6.1 The department strategies Plan and prioritisation of future expenditure must be integrated into MTEF budget submission. The departmental budget submissions must be in the line with government and departmental Cost Containment policy and spending priorities.

5.4.6.2 Historical data must be applied the departmental Strategic Plan for the three year MTEF period:

5.4.6.3 Formula, or any other measures prescribed by Provincial Treasury to increase anticipated expenditure, must be used in order to increase budgets.

5.4.6.4 All programme managers must be use schedules provided by the Chief Financial Officer for preparation of their budget.

5.4.6.5. Consolidated budget inputs should be submitted to the budget committee for recommendation to the EXCO, and

5.4.6.6. The Chief Financial Officer must submit approved budget inputs by the EXCO to provincial Treasury with in the given dead line with a covering letter signed by the Administrator/ HOD.

5.4.7 The accounting officers recovering letter should include the vote name and report on the departmental planning process leading to the formulation of the medium-term submission. It should provide a concise summary of:

5.4.7.1. Proposed changes to the programme budget structure of the Department if any;

5.4.7.2. Policy options that are proposed in line with departmental medium-term policy priorities;

5.4.7.3. Annual performance Plans;

5.4.7.4. Reprioritisations and additional pending plans and/or other information required by Treasury; and

5.4.7.5. Data file with consolidated schedule information.

5.4.7.6. Table B5 document.

5.5 Compiling Estimates of Provincial Revenue Expenditure.

5.5.1. The department budget committee must ensure that the EPRE budget submissions for the Department are submitted in line with the Provincial Treasury requirements. The EPRE budget submission must confirm to the determined Provincial Treasury.

5.6 Roll- Overs

5.6.1 Funds appropriated but not spend in a particular year may be rolled-over to the subsequent year, subject to the approval of the Provincial Treasury.

5.6.2 Such approval will be guided by the following limitations:

5.6.2.1. Capital funds: may be rolled over to finalise projects or assets acquisition still in progress.

5.6.2.2 Current funds: A maximum saving of five per cent (5%) of the Departments budget for the current expenditure, compensation of employee, may be rolled over to the following financial year; and

5.6.2.3. Transfer payments: May not be rolled-over for the purpose other that originally voted for.

5.6.3. Request for roll-over must be submitted to Provincial Treasury on or before the last working day of April in a format determined by the Provincial Treasury an must include:

5.6.3.1. Purpose for which the funds were appropriated;

5.6.3.2. The reasons why the funds were not spend;

5.6.3.3. The proposed changes of the use funds if any; and

5.6.3.4. Disbursement schedule indicating the months in which the expenditure is expected to be incurred.

5.6.4. Funds for specific purpose may not be rolled-over for more than one financial year unless approved in advanced by the National Treasury.

5.7 Adjustments Estimates of Provincial Revenue Expenditure

5.7.1. The Department Budget Committee must ensure that the budget Adjustment Estimates submissions for the Departments are submitted in line with Provincial Treasury requirements. The adjustment Estimates budget submission must confirm to the formats determined by the Provincial Treasury.

5.7.2. Include in the Adjustment Estimates are:

5.7.2.1 Approved roll-over fund;

5.7.2.2 Approved shifting of functions;

5.7.2.3 Savings

5.7.2.4 Virements; and

5.7.2.5 Additional funds

5.7.2.6 Budget reductions (if any)

5.8 Request for additional funds unforeseen and unavoidable Expenditure

5.8.1. Departments are allowed to request additional funds for the current year. Only expenditure that is unforeseeable and unavoidable will be considered.

5.8.2. For a request to be considered it must be properly motivated by programmes and supported by CFO.

5.8.3. If the Accounting Officer agrees with the request, it will be submitted to the MEC for his/her approval for submission to Provincial Treasury.

5.8.4. The submission will finally get concurrence from MEC and be submitted to Provincial Treasury.

5.9 Transfer of functions

5.9.1. Where a function is to be transferred between votes during a financial year, Provincial Treasury must be consulted in advance to facilitate any request for the resulting transfer of funds voted for that function in terms of Section 33 of the Act. In the absence of an agreement between the affected Departments on the amount of funds to be transferred, Provincial Treasury will determine the funds to be shifted.

5.9.2. Treasury approval must be obtained before seeking approval from the Office of the Premier for a transfer of a function to another sphere of government.

5.9.3. The following procedure must be followed

5.9.3.1 A submission complied by programme manager must be submitted to the Chief Financial Officer for recommendation to the Accounting Officer and approval by the Executive Authority.

5.9.3.2. Should a function transferred to another Department and/or an entity; an application should be directed to Provincial Treasury to suspend the remaining funds of that function on the vote;

5.9.3.3. Should a function transferred to another Department, an application should be directed to Provincial to include the remaining funds of that function in the Department vote; and

5.9.3.4. The Chief Financial Officer should, where applicable, accept expenditure or claim expenditure incurred, depending on the regulation approving the transfer of the function.

5.9.4. Programme manager should investigate the financial and administrative consequences of functions or service received or relinquished prior to such a function being transferred, and should obtain prior approval from Executive Authority.

5.10 Virement

5.10.1 The Accounting Officer may utilize the saving in the amount appropriated under the main division within a vote towards the defrayment of excess expenditure under another main division within the same vote.

5.10.2 Compensation of Employee and transfer and Subsidies to other institutions may not be increased without approval of the Provincial Treasury.

5.10.3 Allocation earn marked by the relevant treasury for a specific purpose (excluding compensation of employees) may not be used for other purpose, except with its approval.

5.11 Movement/Shifting of funds/ Virement

5.11.1 Any of funds within the vote should be recommended by the Department Budget Management Committee.

5.12 Drawings

5.12.1 The Department must submit envisaged drawings on provincial revenue funds for Provincial Treasury's approval together with the anticipated revenue as required in terms of section 40(4)(a) of Public Finance Management Act. Cash flow projections with regards to conditional grants must be in accordance with the inputs submitted to Provincial Treasury.

5.13 Budget Government Structures

5.13.1 The Accounting Officer should appoint and implement the following budget Governance Structure:

5.13.1.1 Programme Managers-responsible for the co-ordination, preparation and administration of the budget process at programme level.

5.13.1.2 Budget Controller-responsible for the collation of budget information and inputs for use in programme level budget.

5.13.1.3 Budget Department Committee-to oversee the Department budget process, advises review and monitor programme submissions against strategic objectives and strategic and make recommendations to the department Executive Committee and the MEC in accordance with the guidance of the Provincial Treasury.

RESPONSIBILITIES

6.1 Accounting Officer

6.1.1 The Accounting Officer must ensure that internal procedure and control measures are in place for payment approval and processing.

6.1.2 The Accounting Officer must take effective and appropriate steps to prevent any overspending of the vote of the Department or a main division within a vote.

6.1.3 The Accounting Officer must report to the Executive authority and the relevant treasury any impending.

6.1.3.1 under collection of revenue due

6.1.3.2 Shortfalls in budget revenue; and

6.1.3.3 Overspending of the Department's vote or main division within the vote;

6.1.4 Comply with any remedial measure imposed by the relevant treasury in terms of this Act to prevent overspending of the vote or a main division within the vote.

6.2 Chief Financial Officer

6.2.1 The Chief Financial officer is required to formulate the budget within the context of the MTEF which details three-year rolling expenditure and revenue plan for the Department Annual budget preparation is informed by government's development priorities and these are subject and annual review.

6.2.2 The department budget process is guided by the following:

6.2.2.1 Annual Budget Circular

Accounting officer must comply with all relevant annual budget circular issued by Provincial Treasury; any budget circular issued Provincial by treasury must be consistent the budget circular issued by the Provincial Treasury.

6.2.2.2 Annual Budget Formats

The accounting officer must ensure that the budget submission for the vote includes relevant supporting information in respect of constitutional and public entities that may receive transfer payment from the vote. The annual budget documentation, as presented to Parliament or Provincial Treasury legislature, must confirm to the formats are determined by the provincial treasury.

6.2.2.3 Approach to budget formulation

The accounting officer with assistance of the Chief Financial Officer and the Director Financial Management shall draft the process plan as well as the budget timetable for the department including the department key priorities over the medium term period.

The accounting officer shall convene a strategic workshop in April with Departmental Management Committee in order to determine the departmental key priorities which will form the basis of the preparation of the MTEF budget taking into account the financial and government priorities. The accounting officer shall table the key priorities with the draft budget EXCO.

Following from the strategic planning process the Accounting Officer will now develop a budget process. Budgeting is set of individual activities linked together in an orderly way to produce the budget.

- The budget planning and control has following objective:
 - To ensure that the department development strategy objectives are achieved through the integrated development plan(The five year program)
 - To compel proper planning
 - To communicate ideas and plans
 - To provide a framework for responsible accounting
 - To establish a system of control and
 - To motivate employees to improve their performance
- The budget is an estimate of how the department will perform financially, accurate budget estimates will ensure that department resources such as money, people and assets are effectively utilised to achieve service delivery objective. The Chief Financial Officer must ensure that:
 - Line manager understand the budget process and know what is required of them; including submission due dates
 - Templates, formats and directives are made available to all line managers who are involved in the budget process.
 - Budget trade-offs are discussed with managers, they must involve in deciding department and priorities.
 - Progress and decision making is communicated to relevant line managers.
 - The Chief Financial Officer is expected to effectively interrogate request for funding from line managers to ensure that the limited available resources are efficiently, fairly and transparently allocated across the department priorities.
 - The Chief Financial Officer provides relevant information to the accounting officer who will brief the executive authority on matters pertaining to budget discussions that they will be required to participate in at the national and provincial budget forums.
 - The Chief Financial Officer must ensure that a credible budget is presented for approval: the following are characteristic of a credible budget:-
 - ✓ Realistic, reasonable and achievable

- ✓ Takes cognisance of the economic climate
- ✓ Resource allocation aligned to service delivery objectives.

The Chief Financial Officer must ensure that the necessary internal controls are in place to provide reasonable assurance that department expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported.

6.3 Programme managers and District managers

6.3.1 Each Programme manager and District manager will be responsible and accountable to budgeting and expenditure management in their programmes and districts.

6.3.2 All officials will be responsible for ensuring that effective and appropriate steps are taken to prevent unauthorised expenditure.

6.3.3 All managers must ensure that the allocated resources are managed effectively, efficiently, economically and transparently.

7. APPROVAL OF POLICY

This policy has been approved in terms of the delegation of authority by the Accounting Officer.

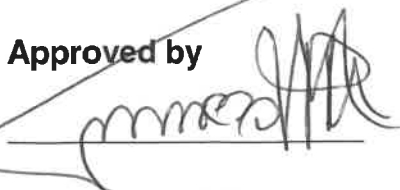
8. REVIEW OF THE POLICY

The Policy should be reviewed on an annual basis to ensure it is in line with legislative requirement and new developments.

9. COMMENCEMENT

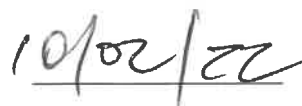
This policy takes effect on the date on which is signed and adopted by the Accounting Officer.

Approved by



Accounting Officer (Administrator)

Mr M. Moremi



Date