

PROVINCE OF THE EASTERN CAPE



DEPARTMENT OF RURAL DEVELOPMENT AND AGRARIAN REFORM

BUDGET POLICY

Table of Contents

DEFINITIONS2

1. PREAMBLE.....4

2. PURPOSE.....4

3. REGULATORY FRAMEWORK.....4

4. PRINCIPLES, VALUES AND ETHOS4

5. SCOPE OF APPLICATIONS.....4

6. IMPLEMENTATION PROCEDURES5

7. ROLES AND RESPONSIBILITIES.....7

8. POLICY REVIEW10

9. RECOMMENDATIONS AND APPROVALS.....11

DEFINITIONS

Accounting Officer:	Head of department for Agriculture and Rural Development
Accruals:	Goods or Services that have been received by the department for which payment is yet to be made.
BS 2:	Budget submission template that contains both tables and narratives which ultimately becomes the budget book.
C.O.E:	Compensation of Employees
DATA BASE:	Budget submission template which is full of tables with very little narrative.
EC 3:	Primary template for recording budgeted revenue
EC 5.1:	Primary template for costing the total cost of the department's employees.
EC 4.2:	Template for costing current expenditure (Compensation of Employees and Goods & Services).
Economic Classification:	Classification among Compensation of employees, Goods and Services, Transfers and Capital.
Equitable Share:	Funding allocated to the department by Provincial Treasury as the department's share of the provincial allocation, as against Conditional Grant funding which is in the main, except for the Infrastructure to Provinces, is from the mother department for expenditure which is of National interest.
Financial control over expenses:	Exercising of delegated authority and control regarding the incurring of expenses and the authorization of payments.
Fiscal Discipline:	The concept of ensuring that expenditure remains within the allocated budget.

Budget policy

MTEF:	Medium Term Expenditure Framework, which is in fact the three year rolling type of budgeting.
PFMA-Section 40(4)(a)	The accounting officer of a department must each year before the beginning of a financial year provide the relevant treasury in the prescribed format with a breakdown per month of the anticipated revenue and expenditure of that department for that financial year.
Preparation of budget estimates:	Estimation of funds that will be required to execute the functions
SCOPA:	Standing Committee on Public Accounts.
Shifting:	The movement of funds within Sub-programme or between the minor items of the same main item, for example from the item "accommodation" to the item "catering".
Virement:	The movement of funds between Programmes or Sub-Programmes, or between main items, like from Goods & Services to Capital for the purposes of addressing budget over runs in one area by sourcing funds from the area with anticipated budget savings.

1. PREAMBLE

The objective of this document is to provide a policy framework to ensure that the regulations of the Public Finance Management Act of 1999 (hereinafter referred to as "PFMA") are adhered to.

2. PURPOSE

To regulate the management, administration and control of the departmental budget to ensure effective, economic and efficient management thereof, in the department.

3. REGULATORY FRAMEWORK

- 3.1. South African Constitution, Act 108 of 1996
- 3.2. Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999
- 3.3. Division of Revenue Act 29 of 1999
- 3.4. Treasury Regulations Act 1 of 1999
- 3.5. Treasury Instructions Act 1 of 1999
- 3.6. Financial Management Practice notes and Circulars
- 3.7. Standard Charts of Accounts Act 1 of 1999
- 3.8. Government Accounting Standards Act 1 of 1999

4. PRINCIPLES, VALUES AND ETHOS

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

- 4.1. **Value for money:** Public services should be provided efficiently and economically in order to give you the best possible value for money.
- 4.2. **Honesty and Integrity:** Committed to be transparent with all stakeholders.
- 4.3. **Excellence:** committed to exceed our customers expectations for quality, responsiveness, efficiency and service excellence.

5. SCOPE OF APPLICATIONS

Every Member of the Executive Management, Programme Managers, Chief Directors, Directors, Responsibility Managers, all Managers, all Budget Controllers and the entire

Budget policy

staff of the department both at Head Office, District Offices and departmental institutions must take responsibility of ensuring the implementation of this policy.

The policy is meant to assist Programme Managers as a guiding framework towards sound management practice in responding to the requirements of all the oversight bodies including the Auditor General, Portfolio Committees, SCOPA, Treasuries, etc.

6. IMPLEMENTATION PROCEDURES

Efficient and successful implementation of the policy hinges on the policy proposals mentioned below. However these proposals shall be implemented in conjunction with Standard Operating Procedure Manual of the department.

6.1. Alignment of budget to strategic plan

- 6.1.1. Departmental Budget should be the expression of the costing of the Annual Performance Plan.
- 6.1.2. Procurement Plan must be aligned to Budget based on Annual Performance Plan.

6.2. Data Collation and packaging procedure

- 6.2.1. Provincial Treasury Circular instigating budgeting processes is accessible to all stakeholders (Programme Managers, Responsibility Managers and Budget Controllers) both at district and provincial level.
- 6.2.2. The contents of the Treasury Circular are explained explicitly to all stakeholders.
- 6.2.3. A District Budget Allocation Committee must be established for compilation of district budget submission.
- 6.2.4. A Provincial Budget Allocation Committee must be convened and comprise of the Accounting Officer, Executive Management, Programme Managers, Responsibility Managers, and District Representatives accompanied by Manager finance for final compilation of departmental budget submission.
- 6.2.5. Programme Managers must adopt a bottom-up approach when compiling budget submissions.

Budget policy

- 6.2.6. The budget office to meet each programme manager for their consolidated input.
- 6.2.7. Budget data is collected by using initial template referred to as EC's (EC5.1, EC 4.2, and EC 3).
- 6.2.8. These templates are used for costing C.O.E, Goods & Services and revenue respectively.
- 6.2.9. From these documents the data is processed to budget submission templates which are prescribed by the treasury. (Data Base, BS 2)
- 6.2.10. The BS 2 is processed into the budget book which is tabled in the legislature and passed into law.

6.3. Virements/ shifting

- 6.3.1. In year adjustments to the budget book to accommodate spending requirements are processed for the approval of the Accounting Officer through the virement process.
- 6.3.2. Budget allocation to lowest items should be done as accurately as possible to minimise the need for regular virement of funds.
- 6.3.3. The budget maintenance function should be allocated to the Provincial Budget Controller and to his or her assistants only during the period of making virements.
- 6.3.4. No virements and shifting will be effected in the first quarter of the financial year. Only exceptional cases will be considered. From the second quarter onwards virements will be allowed only during the first week of every month.
- 6.3.5. During the fourth quarter virements may done outside the first week of the month under exceptional circumstances and that must be approved by the HOD or delegated official.
- 6.3.6. Programme Managers are encouraged to surrender funds once determined that there will be a surplus before the end of the second quarter.

Budget policy

6.4. Adjustment Estimates

- 6.4.1. Budget adjustment estimates seek to bring the budget book with its in year adjustments back to a legal form. Program managers are therefore expected to submit their needs during adjustment estimates process.
- 6.4.2. All these adjustments which are ordinarily in the form of virements, shiftings, additional allocations and rollovers must be tabled in the Provincial Legislature and get voted. That is the process of Adjustment Estimates and it seeks to bring the budget book with its in year adjustments back to a legal form.

6.5. Expenditure reporting procedure

- 6.5.1. Reports from the system should be given to the Programme Managers every Monday to assist them in maintaining fiscal discipline and for them be kept informed of their levels of spending.
- 6.5.2. On a monthly basis expenditure reports should be prepared and presented in the departmental management meeting for discussion and decision making. The template from Treasury in the form of In Year Monitoring will be used for both presenting this expenditure report and submission to treasury by the legislated date.
- 6.5.3. Preparations for the first quarter expenditure of the on- coming financial year should be finalized in the last quarter of the current financial year. This will make possible for issuing of orders to be closed in the middle of February each year.
- 6.5.4. The recognition of the cut off time for issuing of orders will minimize outstanding invoices at the end of the financial year and in turn minimize accruals which adversely affect on-coming year's budget.

7. ROLES AND RESPONSIBILITIES

7.1. MEC

- 7.1.1. The MEC is to give a political direction in the form of policy priority areas of the department.

7.2. ACCOUNTING OFFICER MUST:

- 7.2.1. Ensure alignment of strategic plan and the budget of the department and to make sure that the strategic planning process is finalized before the start of the budgeting process.
- 7.2.2. Engage MEC for a political direction which will feed into the budgeting process.
- 7.2.3. Accounting Officer must ensure optimal allocation of budget to the programmes of the department.
- 7.2.4. Ensure that expenditure is in accordance with the Vote of the department.
- 7.2.5. Ensure that steps are taken to prevent any overspending of the Vote or main division of the Vote.

7.3. CHIEF FINANCIAL OFFICER

- 7.3.1. To co-ordinate budget planning sessions where budgetary related issues are discussed.
- 7.3.2. To advise the Accounting Officer on all budget related issues.
- 7.3.3. To provide secretariat in the Budget Advisory Committee.

7.4. PROGRAMME MANAGERS

- 7.4.1. Medium term planning for the Programme (MTEF).
- 7.4.2. The allocation of limited funds such that the best balance is achieved.
- 7.4.3. Budget prioritization within the Programme.
- 7.4.4. To evaluate, approve and consolidate the budget inputs and to ensure prompt submission of the budget inputs for the Programme.
- 7.4.5. To exercise control and supervision over the Responsibility Managers in respect of the relevant budget.
- 7.4.6. Report on the state of expenditure through the In -Year- Monitoring report (IYM) to Executive Management and the departmental budget advisory committee.

7.5. RESPONSIBILITY MANAGERS

- 7.5.1. To administer human and physical resource, to which he /she utilises financial resources in order to obtain financial results.
- 7.5.2. To ensure maximum results (outputs) are obtained from the available resources at minimum costs (inputs).
- 7.5.3. To compile business plans which seek to identify related tasks that need to be costed.
- 7.5.4. To prepare of budget estimates
- 7.5.5. Costing of projects
- 7.5.6. Financial control over expenses
- 7.5.7. To control budget
- 7.5.8. Financial reporting
- 7.5.9. District and institutions must meet on a monthly basis to discuss their expenditure patterns.

7.6. BUDGET OFFICE

- 7.6.1. Co-ordinates the budgeting process within the department.
- 7.6.2. Consolidate budget inputs and prepares final budget submission in the prescribed Treasury templates.
- 7.6.3. Consolidate projections for the spending of the budget in line Section 40(4)(a) of the PFMA
- 7.6.4. Acts as a secretariat to the Budget Advisory Committee.
- 7.6.5. Co-ordinates the preparation and prompt submission of the In Year Monitoring report.
- 7.6.6. Co-ordinates the preparation of the Financial Oversight report for signing off by the MEC to the Provincial Legislature.

7.7. DEPARTMENTAL BUDGET ADVISORY COMMITTEE

- 7.7.1. Responsible for the joint evaluation of the various needs of the department, as derived from the Mission Statement and the overall objectives of the department.

Budget policy

- 7.7.2. Formulation of the departmental plan of action (Strategic Plan), according to the objectives and the availability of funds.
- 7.7.3. Departmental approval of budget submissions such as the draft budget.
- 7.7.4. Control over the state of expenditure and reporting on the finances and performance of the department.

7.8. MONITORING AND EVALUATION

- 7.8.1. Management is responsible for monitoring the implementation of this policy.
- 7.8.2. Submission of the budget for the on-coming financial year.
- 7.8.3. Appointment of Programme Managers, Responsibility Managers, Budget Controllers at Head Office and all our Districts Offices before the end of April of every year.
- 7.8.4. Presentation of the draft budget to the departmental extended management meeting.
- 7.8.5. Presentation of same to the MEC by the accounting Officer.
- 7.8.6. Management of the budget in the form of virements, shifting, and other adjustments to the budgets.
- 7.8.7. Policy development unit shall assist to evaluate the responsiveness and impact of the policy.

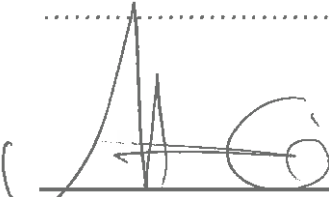
8. POLICY REVIEW

This policy shall be assessed in three years from its effective date (approval date) to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect substantial organisational changes or any change required by law.

9. RECOMMENDATIONS AND APPROVALS

Recommended / ~~Not Recommended~~
Comments:

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



CFO

13 Dec 2016
DATE

Approved/ ~~Not Approved~~
Comments:

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



HEAD OF DEPARTMENT

14 Dec. 2016
DATE