



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA



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**Processing Money Bills: The Budget Cycle and Financial  
Accountability (Committee Stage)**



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# Public Finance Management and budget

1. The Public Finance Management Act (PFMA) regulates the management of finances in national and provincial government.
2. It sets out the procedures for efficient and effective management of all revenue, expenditure, assets and liabilities.
3. It also outlines the budget processes.
4. The budget is developed through four stages and Members of Parliament, play a critical role throughout the cycle.
5. The budget cycle includes the processing of money bills and oversight over fiscal frameworks, implementation of money bills, quarterly and annual oversight.



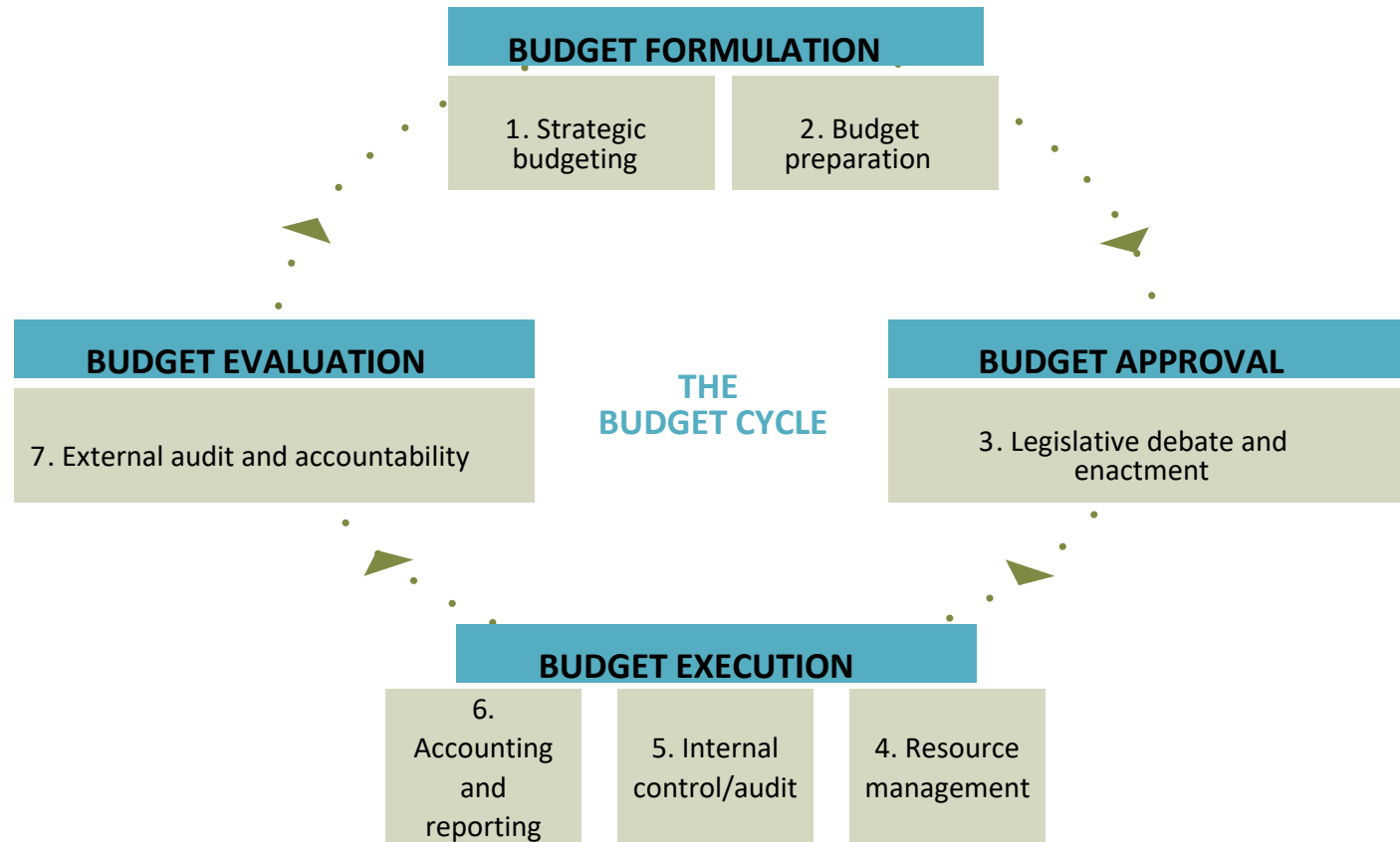
# The purpose of Public Finance Management

Strong PFM systems ensure that limited public resources are spent economically and with efficiency and efficacy. These strong systems have five components to ensure economy, efficiency and efficacy:

1. **Strategic budgeting:** translating broad plans and policy goals into concrete programmes to benefit citizens;
2. **Sustainability of the budget (including debt):** ministry of finance ensures allocative efficiency among spending ministries, departments and agencies and keep debt levels to a minimum;
3. **Robust conceptualisation of capital expenditures:** capital expenditures (notably infrastructure) ought to be conceptualised through the annual and medium-term budgeting processes;
4. **Programme-based budgeting (PBB):** aligning planning and budgeting systems to ensure that outputs and outcomes are associated with public policy objectives; and
5. **Prudent budget execution:** legislative oversight is integral to reviewing budget execution reports to ensure public resources are used in the manner they were approved.



# The stages of the budget cycle:





# Budget formulation stage

- During the budget formulation stage governments align national priorities within the existing fiscal space to ensure sustainability of the budget (and debt).
- The tabling of the Medium Term Budget Policy Statement for approval by Parliament.



# Budget approval stage

Legislative approval of the budget is Parliament's most important role.

During legislative debate of the executive's budget proposal, Committees scrutinizing:

- the fiscal framework (fs) proposals (**within 16 days after tabling of the budget or as soon as possible thereafter**) in the event of any proposed amendments Minister is **given 2 days to respond before the tabling of the report in the House,**
- Division of Revenue Bill (**within 35 days after the passing of the fiscal framework or as soon as possible thereafter**) in the event of any proposed amendments Minister to be **given 3 days to respond before submission of the report in the House,**
- Appropriation Bill (**within four months**) and in the event of any proposed conditional appropriation the Minister of Finance or Cabinet Minister affected to be given 2 days to respond before the tabling of the report in the House,
- Budget Votes (Parliament provides timelines for committees within the 4 months period); and
- revenue proposals.



# Issues for consideration when proposing amendments

When amending the fiscal framework, a money Bill or taking any decision in terms of this Act, Parliament and its committees must—

- (a) ensure that there is an appropriate balance between revenue, expenditure and borrowing;
- (b) ensure that debt levels and debt interest cost are reasonable;
- (c) ensure that the cost of recurrent spending is not deferred to future generations;





# Issues for consideration when proposing amendments

- (d) ensure that there is adequate provision for spending on infrastructure development, overall capital spending and maintenance;
- (e) consider the short, medium and long term implications of the fiscal framework, division of revenue and national budget on the long-term growth potential of the economy and the development of the country;
- (f) take into account cyclical factors that may impact on the prevailing fiscal position; and
- (g) take into account all public revenue and expenditure, including extra-budgetary funds, and contingent liabilities.



# Budget Approval: Processing Money Bills and ensuring Financial Accountability

During the budget approval Members analyse the budget and among others, look into the following:

1. Measuring the budget as a percentage of the gross domestic product (GDP);
2. Main trends within the budget allocations;
3. Comparisons (nominal vs real);
4. Calculating budget variances (planned vs actual expenditure);
5. Comparisons of recurrent versus capital expenditures;
6. Analysing estimates in the Medium Term Expenditure Framework against the Medium Term Strategic Framework per sector ;
7. Assessing the sustainability of the current debt;
8. Assessing the rationale of the Money Bills; and
9. Assessing budget allocations against audit outcomes against.



# Budget execution stage

- Legislative oversight during budget execution is paramount to accountability.
- During this stage the Committees consider Section 32 of PFMA and section 71 of MFMA reports.
- The purpose is assess spending patterns within Budget Votes and the conditional grants

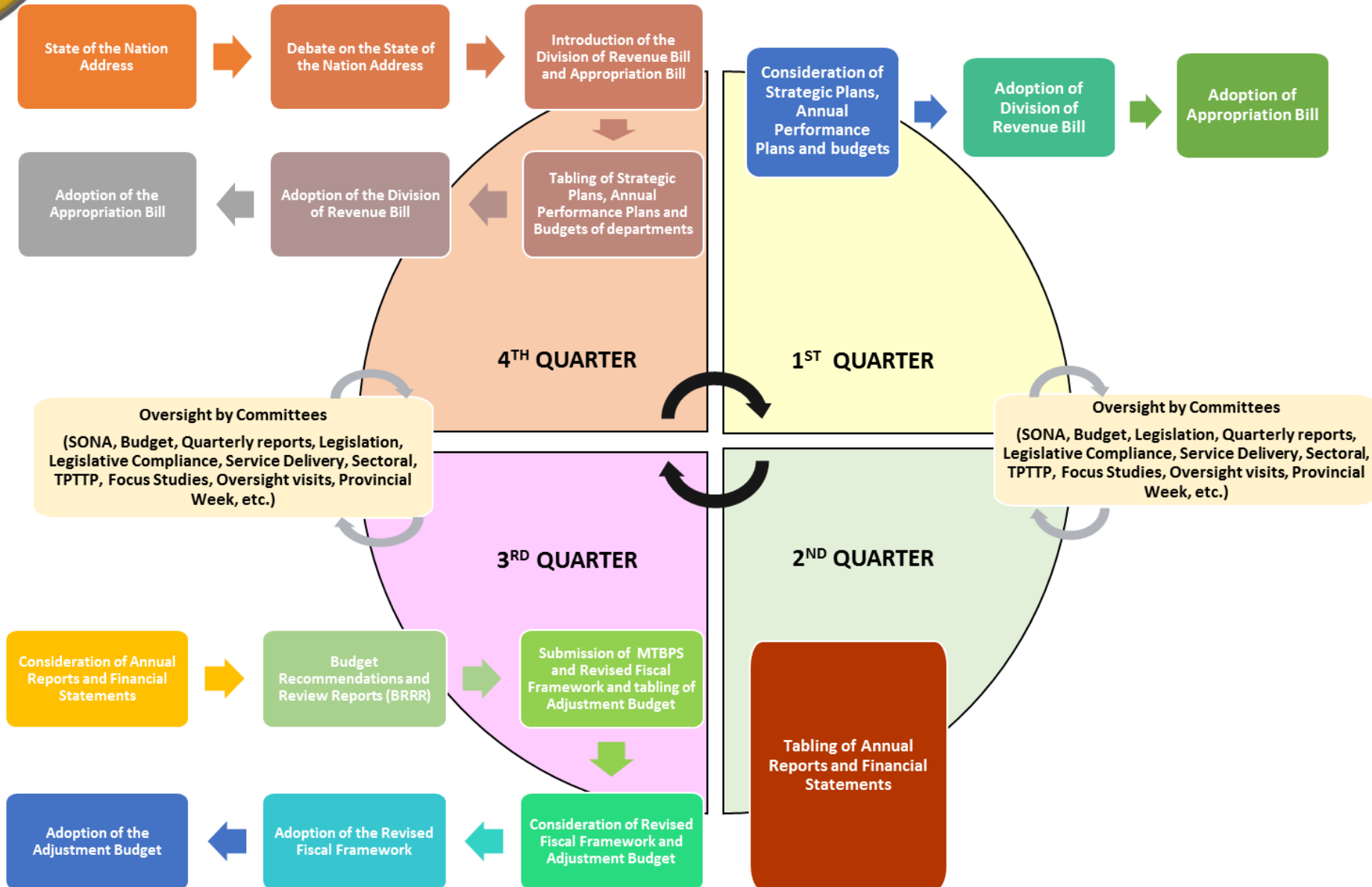


# Budget evaluation stage

- During this stage committees analyse annual reports of departments and entities as well as the audit outcomes.
- The National Assembly committees are required to produce the budget review recommendation reports.
- The Minister of Finance is expected to consider such reports during the budget formulation stage.



# OVERSIGHT & ACCOUNTABILITY CYCLE





# Observations and recommendations

Activity	Observation	Recommendations
Budget analysis	Except for Finance and Appropriations most committees produce paragraph reports.	Need to produce Budget Vote reports that reflect alignment of budgets with provincial needs.
Analysis of Division of Revenue Bill of the 2019/20 budget R176, 797 bn (12.2%) was conditional transfers to various spheres	Except for Appropriations committee most SC Committees do not assess allocations and monitor the conditional grants spending by sector departments	All SCs to also look into the DoRA allocations especially conditional grants and the spending as well as achievement of the desired outcomes (non-financial performance)



# Observations and recommendations

Activity	Observation	Recommendations
Funding for the con-current functions	Concerns of unfunded mandate by some spheres of government	Need to assess how national allocations factor in concurrent functions in various spheres of government
Infrastructure projects	Completion/desired outcomes	SCs to prioritise
Processing the Money Bills	Concerns raised with joint briefings and joint public hearings	Collaboration with NA and other SC Committees encouraged
Financial accountability	Not much done by SC except for Finance and Appropriations	SC to also monitor sector conditional grant spending as well as non-financial performance.



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**Thank you**