

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 187 [CO575E]
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★187. Mr T E Chaane (ANC-NW) to ask the Minister of Finance:

Whether the National Treasury and/or the Government has developed and implemented any measures and strategies to (a) monitor and assess government spending in order to produce better quality results and (b) ensure a renewed focus by government in improving spending efficiency and outputs for money being spent by the State; if not, (i) why not and (ii) how will this be addressed and resolved; if so, what are the relevant details?

CO575E

REPLY:

a)

In 1997/98 provincial government overspent their budgets by an aggregated R5.8 billion which essentially resulted in Cabinet formally instructing the National Treasury to institute not only monitoring and oversight mechanisms but also establish an 'early warning system' for the whole of government as it relates to budgets and spending implementation. This requirement has later translated into the legislation in the form of section 32 of the PFMA and Section 71 of the MFMA.

So yes, National Treasury undertakes a range of measures and strategies to monitor and assess government spending so as to improve results. In addition to compliance with the comprehensive legal requirements regarding the consolidation and publication of revenue and expenditure data across all spheres of government (in terms of the PFMA, MFMA and DORA), National Treasury regularly undertakes a range of additional analyses of expenditure and performance information specifically developed to produce better spending outcomes for both national, provincial and local government.

This includes:

National and provincial departments

- Extensive analysis of government spending and results completed and used throughout the budget process, together with extensive consultation with departments, to drive the proper allocation of resources so as to make the greatest impact;
- Publication of clear concise budget information in the ENE and AENE to increase transparency and accountability;
- Regular briefings to the Standing Committee on Appropriations, the Select Committee on Finance (National Council of Provinces);

- Monthly and quarterly completion of detailed analyses of national and provincial in year expenditure information – see reports attached;
- In year meetings with National departments and provincial treasuries to discuss spending patterns and trends, build influence, and drive improvement;
- Analysis of departmental Strategic Plans, Annual Performance Plans, Quarterly Performance Reports and Annual Reports, as the reports become available throughout the year; and
- Detailed expenditure reviews are underway in partnership with DPME to provide an in depth understanding of performance linked to expenditure and investigate the value of various areas of public expenditure. These are a comparatively new initiative and detail on them is provided below, in relation to the second part of the question.

Local government

The National Treasury has undertaken various reforms as it relates to local government in strengthening the entire municipal accountability cycle; recent reforms as it relates to local government includes among others, the implementation of a budgeting, in-year performance and grant monitoring system. To this end, budget and financial information is consistently analysed and published in various forms, including:

- Consolidated medium-term revenue and expenditure (MTREF) budget information for all 278 municipalities;
- Quarterly Section 71 Publications (Actual performance against the adopted budgets of municipalities which includes conditional grant financial performance) including a formal press release;
- Over and under expenditure report which is tabled in Parliament;
- Annual State of Local Government Finances and Financial Management Report; and
- Biennial Local Government Budget and Expenditure Review.

Furthermore, the municipalities are proactively provided with advice and guidance through the regular issuing of MFMA Budget Circulars and implementation guidelines.

In addition to the monitoring function established through the budgeting, in-year reporting and grant framework the National Treasury has also established formal institutionalised engagements with the 17 non-delegated municipalities (these 17 municipalities represent approximately 71 per cent of local government spending power and comprise the 8 metros, 9 secondary cities and 1 district); the remaining 261 municipalities have been delegated to the respective provincial treasuries in executing the monitoring and oversight role. The engagements are:

- Annual Municipal Budget and Benchmark Engagements – Objective of the engagements is to independently and objectively analyse and assess the draft municipal budgets before they are tabled before the respective municipal councils for consideration; and
- Annual Mid-year Budget and Performance Assessment visits – Objective of these engagements is to independently and objectively analyse and assess the half yearly

performance by the municipalities with the implementation of their adopted budgets prior to them undertaken adjustments to their MTREF budgets. These visits are supported by actual site visits to determine value for money.

Importantly, both these engagements are concluded by the National Treasury issuing a formal report containing findings and recommendations for consideration by the respective councils. The provincial treasuries are also in the process of replicating this leading practice with the support of the National Treasury.

b)

Yes, in addition to the existing measures discussed above National Treasury is continually developing and implementing new initiatives to renew the already strong focus on spending efficiency and outcomes.

National and provincial departments

- Suitable elements of spending analysis across the spheres of government are continually being centralized, automated and improved to ensure decisions can be based on consistent, timely and detailed analysis; and
- National Treasury is working to develop a consistent and reliable information flow of expenditure data from Public Entities.
- National Treasury, in partnership with DPME in the Presidency, has recently launched a series of in-depth spending reviews. These reviews will provide a detailed understanding of performance linked to expenditure and allow the value received for public expenditure to be better understood by assessing spending effectiveness across national government, provincial government, local government, and public entities.

Spending review areas:

The spending reviews include the following areas and the results will be available in time for the ENE submission to parliament in February 2014.

- In service training of teachers (INSET)
- Industrial Development Zones (IDZ)
- Registration of welfare service providers
- Proposals on the roll-out of broadband
- Scarce skills immigration policy
- Housing delivery – focussing initially on the areas where we spend 80% of the housing budgets. This includes RDP housing and informal settlement upgrading
- The National Skills Fund
- System of support and development of Artisans
- Public Service Sector and Education Authority (PSETA)
- Micro Agricultural Financial Institutions of South Africa (MAFISA)
- Land restitution

- Effective partnering between Science Councils and the private sector
- Public transport in the metro areas (this includes metro rail services , bus rapid transport systems (BRT), taxi transport, and legacy bus subsidy systems)
- Language services as delivered by PANSALB, CRL and Language service of the Department of Arts and Culture

Local government

Currently the National Treasury is in the process of finalizing a standardised classification framework for local government through the regulation of a 'standard chart of accounts' (SCOA) for municipalities. Uniform expenditure classifications have already been established and implemented for national and provincial government. The proposed regulations provide for a SCOA for local government in similar form to that implemented in the other spheres. The object of these Regulations is to provide for a national standard for the uniform recording and classification of municipal budget and financial information at a transaction level by means of the prescription of a standard chart of accounts for municipalities, aligned with prescribed budget formats and accounting standards. This provides for the availability of uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere. The introduction of a uniform classification framework provides for the continuous improvement in the quality, content and credibility of financial reporting not to mention improved transparency, accountability and overall governance. The draft Regulations were published for public comment on 3 September 2013 and it is envisaged that the Regulations will be promulgated in January 2014.

In addition to the SCOA for municipalities there are also various special projects underway such as:

- Business processes and system specifications – The objective of this initiative is to provide for a blue print for a unified system solution for local government incorporating leading business processes;
- Performance reporting - The objective of this initiative is to introduce non-financial performance into the system of local government;
- Revenue value chain – The objective of this initiative is to improve on the ability of municipalities to generate their own revenue; and
- Costing and tariff setting – The objective of this initiative is to improve on the ability of municipalities to effectively cost services and subsequently compile appropriate tariffs for the main trading services being water, electricity, sanitation and refuse removal.