



**TO ALL: ACCOUNTING OFFICERS OF PROVINCIAL DEPARTMENTS
: CHIEF FINANCIAL OFFICERS**

SUSTAINABLE RESOURCE MANAGEMENT CIRCULAR NO. 2 OF 2013/14

2013/14 ADJUSTED ESTIMATES OF PROVINCIAL EXPENDITURE

1. PURPOSE

- 1.1 The purpose of the circular is to provide guidance on the preparation of the 2013/14 adjustments budget to be tabled in the Provincial Legislature on the **20th November 2013**.

2. PFMA REQUIREMENTS

- 2.1 The main aim of the Adjustment Budget is to appropriate additional funds that become available to the province and to provide detailed information on the revised spending projections for the current financial year, as provided for in section 31 of the Public Finance Management Act 1 of 1999 (PFMA).
- 2.2 Section 31 (2) of the PFMA, states that an Adjustment Budget of a province may only provide for: the appropriation of funds that have become available to the province, unforeseeable and unavoidable expenditure, the shifting of funds between and within votes or to follow the transfer of functions in terms of section 42, the utilisation of savings under the main division within a vote for the defrayment of excess expenditure under another main division within the same vote in terms of section 43 and rollover of unspent funds from the preceding financial year.
- 2.3 Section 42 of the PFMA, regulates the transfer of assets and liabilities between departments or institutions based on legislation or reorganization of functions. The section specifies the documents that the Accounting Officer of the departments or institutions involved must sign off and the timeframes for submitting these documents to the relevant treasury and Auditor-General.
- 2.4 Section 43 of the PFMA, states that the Accounting Officer for a department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, subject to a limit of **8 percent** of the appropriation under the main division.

- 2.5 It should be noted that the section 43 of the PFMA, prohibits the utilization of savings in an amount, (a) specifically and exclusively appropriated for a purpose under a main division; (b) an amount appropriated for transfer to another institution and (c) appropriated for capital expenditure to defray current expenditure.
- 2.6 In terms of Treasury Regulations 6.3.1 the departments must obtain treasury approval for (a) increasing compensation of employees and transfer and subsidies to other institutions, excluding transfer and subsidies to other levels of government for purposes of paying levies and taxes imposed by Legislation; (b) introducing new transfers and subsidies; (c) to use the allocations earmarked by the relevant treasury for specific purpose. However virement of funds from compensation of employees to transfer and subsidies for the payment of severance/exit packages are excluded from the provision of (a) and (b).
- 2.7 Section 6.4, 6.5 and 6.6 of the Treasury Regulations, states the conditions and procedures for: unspent funds to be rolled over to another financial year; transfer of functions and additional funds through an adjustment budget respectively.

3. TIMELINES TOWARDS TABLING OF THE ADJUSTMENT BUDGET

- 3.1 The table below shows the process leading to the tabling of the Provincial Adjusted budget on the 20 November 2013.

October 2013	
23 October 2013	Departments submit application for the adjustment budget to the Provincial Treasury
23 October 2013	Tabling of 2013 MTBPS and 2013/14 Adjusted Estimates of National Expenditure and 2013 DoR Amendment Bill
Week of 30 October 2013	Presentation on preliminary proposed 2013 Adjustment Budget allocations to EXCO
31 October 2013	Publish Provincial Section 32 numbers (Second quarterly numbers as at 30 September 2013) in Government Gazette 2013 Adjustment Estimate Budget Allocation Letters issued to Provincial Departments
November 2013	
06 November 2013	Provincial departments submit 2013/14 Adjusted Estimates of Provincial Expenditure to Provincial Treasury
Mid November 2013	Cabinet approving 2014/15 MTEF
12 November 2013	National Treasury issuing Preliminary allocation letters
19 November 2013	Presentation of the Adjustment Budgets to the Legislature
20 November 2013	Tabling of the Adjustment Budgets in the Legislature

- 3.2 Departments should note that the above dates, as reflecting in the provincial budget process calendar which was distributed to all departments early in the year, are critical and must be adhered to ensure the successful tabling of the Adjustment Budget.**
- 3.3 The format for the 2013 Adjusted Estimates of Provincial Expenditure (AEPE) publication is similar to previous years and the link with the 2013 Estimates of Provincial Revenue and Expenditure (EPRE) chapters will continue to be maintained.
- 3.4 The adjustment budget requires departments to assess how they have implemented the 2013/2014 main budget as at 30 September 2013 and review spending plans for the remainder of the financial year. The review of the department's budget and spending plans should inform the adjustments of the main budget.
- 3.5 Departments must submit the adjustment budget **MEMO** as per the Adjustment Budget Guidelines on the **23rd October 2013**. After the consultation process with EXCO, Legislature and assessment of the budget adjustment applications, the Provincial Treasury will issue the approval letters to the departments. Departments are required to compile the adjustments budget and chapters that reflect the treasury- approved adjustments and submit on the **06 November 2013**.

4. PREPARATION OF THE 2013/2014 ADJUSTMENTS BUDGET (MEMO)

- 4.1 Due to sluggish economic growth in most parts of the world and the impact thereof on South Africa, circumstances require a balancing between spending and ensuring prudence in managing public finances. Therefore the focus of the 2013/14 adjustments budget will broadly be on allocative efficiency in order to identify savings that will fund the high priority spending needs of the province.
- 4.2 As directed by EXCO, the province will identify the underutilization of the budget and consider redirecting such underutilized funds to other areas of need. The possible sources of the underutilized budget include underperforming programmes and spending items.
- 4.3 In preparing the 2013/2014 adjustments budget, departments must take into account the negative impact of accruals from previous years and multi-year commitments.
- 4.4 Consistent with the above statement and in line with section 31 of the PFMA and Treasury Regulations, the 2013/2014 adjustment budget will focus on the following:
- 4.4.1 Unforeseeable and unavoidable expenditure;
 - 4.4.2 Assessment of undeforming programmes or items. The expenditure to date will be the basis for the evaluation. Departments will be required to provide proof that the identified unused funds are committed, if departments have plans to spend these funds later in the year;

- 4.4.3 Redirecting funds of underperforming programmes to performing programmes or items as directed by EXCO;
 - 4.4.4 Provision of expenditure in terms of section 25 of the PFMA;
 - 4.4.5 Allocation of funds received from National government if there is any;
 - 4.4.6 Transfer of funds following the transfer of function between departments in line with section 42 of the PFMA;
 - 4.4.7 Rollover of unspent funds from the preceding financial year; and
 - 4.4.8 Adjustment of the earmarked funds (such as compensation of employees, infrastructure, conditional grants and provincial programmes/ projects) will not be permitted.
- 4.5 Where a department is still of the opinion that additional funds are required, after taking into account the above points, a memorandum of request with a detailed motivation must be submitted as well. The memorandum of request must be in line with section 31(2) (b) of the PFMA and section 6.6.1 of Treasury Regulations.

5. OWN REVENUE

- 5.1 Where departments over collected on own revenue or received specific donations during 2013/2014 and require the funds to be voted for those specific purposes in the 2013 Adjustments budget, the relevant requests with supporting documentation and motivation must be submitted as well.
- 5.2 Furthermore, where a department projects own receipts to be higher or lower than originally estimated in the 2013 main budget, a detailed motivation must be included requesting an amendment to the original budget estimates.

6. LOADING OF THE BUDGET

- 6.1 After the tabling of the Provincial Adjustments budget in the Provincial Legislature on the **20th November 2013**, the adjustments for expenditure and revenue must be loaded on BAS and confirm in writing to the provincial treasury within seven days from the provincial adjustments budget approval date that they have accordingly updated the accounting records with the budget adjustments, which should be supported by BAS related report.
- 6.2 The Provincial Treasury will draw BAS/Vulindlela reports to check whether the main and adjusted budgets have been correctly loaded at a programme, sub-programme and economic classification level. Departments must ensure that revenue (receipts) is loaded correctly at the vote and economic classification level.

- 6.3 If discrepancies are found, Treasury will liaise with the department to make the necessary corrections.
- 6.4 Once the budget has been properly loaded, the Provincial Treasury will lock the main and the adjusted budget columns on BAS.

7. FORMATS AND TEMPLATES

- 7.1 The format for the 2013 Adjusted Estimates of Provincial Expenditure (AEPE) publication is similar to previous years and the link with the 2013 Estimates of Provincial Revenue and Expenditure (EPRE) chapters will continue to be maintained. (The formats are attached below as **Annexure A - Adjustment Budget, Annexure B – Adjustment Appropriation Bill**).
- 7.2 Your support in ensuring the tabling of the credible 2013 Adjusted Estimates of Provincial Expenditure (AEPE) by the **20th November 2013** is of utmost importance.

8. EFFECTIVE DATE FOR THE CIRCULAR

- 8.1 This circular takes effect from the date of issues.

9. CONTACT INFORMATION

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