



Province of the  
**EASTERN CAPE**  
COOPERATIVE GOVERNANCE  
& TRADITIONAL AFFAIRS

**DIRECTORATE: MANAGEMENT ACCOUNTING**

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**DIRECTORATE: MANAGEMENT ACCOUNTING**

**BUDGET POLICY**

## Budget Policy for EC–COGTA

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Date Completed	21 October 2024
Date of Approval	See date signed above
Related Policy/ SOP	<ul style="list-style-type: none"> <li>• Budget Planning, Management, Monitoring and Reporting Standard Operating Procedure.</li> <li>• BAS Policy and SOP / Procedure Manual.</li> </ul>
Date Last Amended	This is a new policy in the department.
Date for Next Review	As and when the need arises or after 5 years.

**SIGN-OFF**

**I. Head of Department**

1. This Budget Policy has been **recommended** by **Mr. V. Mlokothe** in my capacity as the Acting Head of the **Eastern Cape Department of Cooperative Governance and Traditional Affairs (EC-COGTA)**.
2. I am satisfied and concur with the content of the Policy.
3. The development of this policy will ensure that the Department is able to exercise its powers in compliance with the laws governing the management of public funds and guide decision-making in the organization as far as the management of public funds are concerned.

<b>Signed:</b>	
<b>Designation:</b>	<b>Acting Head of Department: Mr. V. Mlokothe:</b> Department of Cooperative Governance and Traditional Affairs – Eastern Cape.
<b>Date:</b>	01/11/2024

## Budget Policy for EC–COGTA

### II. Executive Authority

1. This Budget Policy has been **approved** by **Mr. Z.A Williams** in my capacity as the Member of the **Executive Council (MEC)** responsible for **EC-COGTA**.
2. The Department has unprecedented opportunity to improve the lives of the people by effectively rendering many services that it is expected to provide as mandated by the Constitution of the Republic of South Africa, 1996 on provision of support to Local Government and Institutions of Traditional Leaders in the Province. We have envisaged a department that has the requisite capacity to respond adequately to challenges of its people within the limited financial resources at its disposal.
3. I therefore trust that this Budget Policy will assist positively to contribute towards the Department's endeavor of creating an effective, efficient, and transparent financial management to promote accountability and good governance.

<b>Signed:</b>	
<b>Designation:</b>	MEC: Honourable Z.A. Williams of Cooperative Governance and Traditional Affairs
<b>Date:</b>	14 / 11 / 2024.

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### 1. DEFINITIONS

In this policy any word to which a meaning has been assigned in the **Public Finance Management Act, 1999 as amended (Act 1 of 1999)** bears that meaning assigned to it unless the context indicates otherwise.

TERM	DEFINITION
<b>AGSA</b>	Auditor General South Africa.
<b>AO</b>	Accounting Officer / Head of Department.
<b>BAC</b>	Budget Advisory Committee.
<b>BAS</b>	Basic Accounting System.
<b>CFO</b>	Chief Financial Officer.
<b>DORA</b>	Division of Revenue Act.
<b>EC – COGTA / Department</b>	Eastern Cape Cooperative Governance and Traditional Affairs.
<b>“Employees”</b>	Employee of the department employed in terms of public service act, 1994 and all employees employed on contractual basis.
<b>EXCO</b>	Executive Council.
<b>HOD / AHOD</b>	Head of Department / Acting Head of Department.
<b>“Main division within the vote”</b>	One of the main segments into which a vote is divided and which: (a) Specifies the total amount which is appropriated for the items under that segment. (b) Is approved by parliament or a provincial legislature, as may be appropriate, as part of the vote.
<b>MEC</b>	Member of the Executive Council.
<b>MTDP</b>	Medium Term Development Plan.
<b>MTEF</b>	Medium-Term Expenditure Framework.
<b>PC</b>	Portfolio Committees.
<b>PFMA</b>	Public Finance Management Act, 1999 (Act 1 of 1999) as amended.
<b>Programme Manager</b>	An official delegated by the AO, responsible for the administration of financial, human and physical resources of a programme who shall control, co-ordinate, evaluate and account to the Accounting Officer for all activities within a particular programme.
<b>PT</b>	Provincial Treasury.

<b>TERM</b>	<b>DEFINITION</b>
<b>PUBLIC OFFICE BEARERS</b>	In the context of COGTA, Public Officer Bearers (POBs) refers to Member of the Executive Council (MEC) of the Department, all the Traditional Leaders (Kings / Queens, Senior Traditional Leaders, Headmen / women as well as members of the Executive for Provincial and Local House of traditional leaders).
<b>Responsibility Manager</b>	An official delegated by the AO, responsible for the administration of financial, human and physical resources of a Chief Directorate / Directorate / Sub-Directorate who shall control, co-ordinate, evaluate and account to the Programme Manager or delegated official for all activities within a particular Chief Directorate / Directorate / Sub-Directorate.
<b>Rollover</b>	Committed unspent funds in a particular requested to be rolled over to a subsequent year – this is subject to approval by Provincial Treasury.
<b>SCOPA</b>	Standing Committee on Public Accounts.
<b>Shifting</b>	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”.
<b>TORs</b>	Terms of reference.
<b>TR</b>	Treasury Regulations, as amended.
<b>“unauthorised expenditure”</b>	Unauthorised expenditure means: (a) the overspending of a vote or main division within a vote, or (b) The expenditure not in accordance with the purpose of a main division.
<b>Virement</b>	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.
<b>“Vote”</b>	One of the main segments into which an appropriation Act is divided and which: (a) Specifies the total amount which is usually appropriated per department in an appropriation Act.  Is separately approved by Parliament or provincial legislature, as may be appropriate, before it approves the relevant draft appropriation Act as such.

## **2. INTRODUCTION**

The PFMA, provides clear functions bestowed to a PT in terms of budget preparations, control and related matters as captured under Section 18 of this act. For a Treasury in a Province to meet its legislative requirement in relation to producing a provincial budget (sec. 18(1) (a – d), AOs of Departments are expected to comply with any circular issued, requesting the submission of such information. This is clearly elaborated under section 39 of the PFMA in terms of the roles and responsibilities in relation to budgetary control and Section 40(4) in relation to reporting responsibilities.

To achieve the above, the AO needs to ensure that there are proper structures in place, such as the BAC that will be tasked with providing guidance on the budget allocation process. Also critical to these structures, is the convening of monthly IYM meetings which will evaluate and make Programme Managers and Managers in general account for the performance against their plans.

Although budgeting process is legislated in the PFMA, TR, DORA and other Treasury Institution notes and circular, there is still a dire need for a document that addresses directly the departmental specifics, which includes coordination of budgeting processes, within the above-named prescripts. Prudent fiscal management of any institution requires the adoption of budgeting principles to efficiently allocate resources and ensure maintenance of a fiscal discipline when such budgets are executed. 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 AGSA, PC, SCOPA, Treasuries, etc in relations to issues of budget planning, management and reporting. This policy, therefore, seeks to give guidance to processes relating to planning and execution of such budgets.

## **3. LEGISLATIVE FRAMEWORK**

- 3.1. The functions and processes that guides this policy are derived from, but not limited to the following legislative and regulatory frameworks:
  - 3.1.1. The Constitution of the Republic of South Africa of 1996.
  - 3.1.2. Public Finance Management Act, 1 of 1999 as amended.
  - 3.1.3. Division of Revenue Bill or Act.
  - 3.1.4. Treasury Regulations.
  - 3.1.5. Practice Notes / Instruction Notes / Circulars / Guidelines issued by the NT and PT.
  - 3.1.6. Intergovernmental Fiscal Relations Act 97 of 1997.
  - 3.1.7. Economic Reporting Framework.

3.2. The **budget preparation and management** process is therefore guided by the following specific sections amongst others:

3.2.1. Sec.18 of the PFMA – places the responsibility to the MEC for Finance of a province to (i) **Prepare** the Provincial Budget and (ii) **Exercise Control** over its implementation.

3.2.2. Sec. 27 of the PFMA prescribes formats to which the budget must comply; while sec. 28 of the same act deals with the requirements for a multi-year budget, for which a budget must comply with.

3.2.3. Sec. 31(1) and (2) of the PFMA deals with the content of Adjustment Budget for which the submission must comply.

#### **4. PREAMBLE**

4.1. The Department commits itself towards promoting basic values and principles of good governance as enshrined in Chapter 10 (sec.195-197) of the RSA Constitution of 1996.

4.2. The department also envisage a Budget Policy that will:

4.2.1. Assist management to use the MTEF budgeting process to strategically and pro-actively **identify and manage fiscal risks** that will hinder COGTA in meeting its current and future financial obligations, in line with departmental “**Strategic Risk 6: Inability to meet current and future financial obligations**”; and

4.2.2. Pro-actively optimize the effectiveness of the management system for clean audit outcome and better **budget planning and implementation** processes for improved service delivery.

#### **5. PURPOSE**

To provide overall guidance on the budget processes with a view to achieve optimal resource allocation to the departmental strategy.

#### **6. SCOPE OF APPLICATIONS**

This policy is applicable to all employees of the department appointed in terms of the Public Service Act, 1994 (as amended), any person employed by the department on a temporary or contractual capacity and Public Office Bearers within the department.

## 7. OBJECTIVE OF THE POLICY

- 7.1. To provide guidance to officials of the department on the processes relating to planning, implementation, monitoring and reporting of the departmental budget.
- 7.2. To outline the roles and responsibilities of various stakeholders within the budget process.

## 8. POLICY STATEMENT

The department is committed in taking steps to **ensure proper management of limited resources**, thus taking **well thought budget decisions** for the attainment of service delivery objectives and to promote good governance.

## 9. ROLES AND RESPONSIBILITIES

### 9.1. The MEC for EC-COGTA must:

- 9.1.1. Give a political direction in the form of policy priority areas of the department that are in line with MTDP, 5-year Departmental Strategic Plan and any other policy priorities for which the budget allocation process will need to consider.
- 9.1.2. Ensure that the policy priorities are aligned with the mandate of the vote to avoid incurring unauthorized expenditure.

### 9.2. The AO must:

- 9.2.1. Ensure that the MEC is briefed on budget key milestones guided by paragraph 9.1.
- 9.2.2. Ensure alignment of strategic plan and the budget process of the department.
- 9.2.3. Ensure optimal allocation of budget to the Programmes of the department.
- 9.2.4. Ensure expenditure is in accordance with the Vote, [sec.39(1)a and b] of the PFMA.
- 9.2.5. Ensure that steps are taken to prevent any overspending of the Vote or main division of the Vote.
- 9.2.6. Comply with any annual budget circular(s) issued by the PT.
- 9.2.7. Ensure compliance with all budget related prescripts and requirements.
- 9.2.8. Issue guiding circulars on the management of budget and expenditure management.
- 9.2.9. Approve all shifting of funds requested outside the normal open windows for shifting requests and approve virement of funds in line with section 43 of the PFMA.
- 9.2.10. Appoint the BAC to oversee the implementation of the budget process with TORs.

### 9.3. The BAC must:

- 9.3.1. Based on the consolidated budget proposals presented by the BAC secretariat or delegated:
  - 9.3.1.1. Evaluate the consolidated budget proposal.

- 9.3.1.2. Ensure that budget proposal is aligned with departmental priorities.
- 9.3.1.3. Recommend the most equitable distribution of the resources / budget.
- 9.3.1.4. Recommend re-allocation of resources during the financial year to address new priorities and cost pressures.

#### **9.4. The CFO must:**

- 9.4.1. Advise the AO on all budget related issues.
- 9.4.2. Review and recommend budget allocations for Programmes and IYM submissions.
- 9.4.3. Review the consolidated submission of budget inputs from Programmes to ensure that the department complies with PT Circular / Allocation letter.
- 9.4.4. Recommend monthly Cash flow Requisitions to the AO and approves weekly Cash flows to PT.
- 9.4.5. Ensure coordination of Financial Management Pledges signed annually by all Programmes and submitted to PT.
- 9.4.6. Approve all shifting of funds during the open windows and recommend virement of funds for approval by the AO in line with section 43 of the PFMA.
- 9.4.7. Take any necessary measures deemed appropriate to ensure Programmes comply with internal / PT budget circulars with a view of promoting compliance.

#### **9.5. Management Accounting (Budget Office) must:**

- 9.5.1. Prepare MTEF guiding indicative allocations and internal budget circular.
- 9.5.2. Analyse and prepare the consolidated submission of budget inputs from Programmes.
- 9.5.3. Coordinate, analyse and consolidate inputs for rollover applications from Programmes.
- 9.5.4. Coordinate, analyse and consolidate inputs for annual Cashflow projections from Programmes.
- 9.5.5. Loading of approved Budgets on to BAS.
- 9.5.6. Perform the secretariate role in the BAC sittings.
- 9.5.7. Manage the implementation of sec 43 of the PFMA.
- 9.5.8. Prepare and submit monthly and weekly Cashflow Requisitions.
- 9.5.9. Prepare and analyse main and revenue IYM reports.
- 9.5.10. Advise Management and CFO on reprioritization of funds between/ within Programmes.

- 9.5.11. Process journals on expenditure misallocations.
- 9.5.12. Escalate/report any failure by Programmes to comply with Budget circulars.
- 9.6. **Other critical supporting role players**
  - 9.6.1. **Human Resources Management Directorate** must provide Management Accounting with HR information for costing the Funded Establishment.
  - 9.6.2. **Traditional Institutional Support** must provide planned recognitions and infrastructure plans.
  - 9.6.3. **Human Resources Utilization Directorate** must provide training information.
  - 9.6.4. **Organizational Transformation Directorate** must provide any information pertaining to Organogram.
  - 9.6.5. **Strategic Planning / Management Directorate** must provide planning information on predetermined objectives.
  - 9.6.6. **Monitoring and Evaluation Directorate** must provide Performance Information.
  - 9.6.7. **Supply Chain Management Directorate** must provide a procurement plan.
  - 9.6.8. **Financial Accounting Services Directorate** must provide revenue plan.
- 9.7. **Programme Managers must:**
  - 9.7.1. Execute their functions in line with financial management pledges and financial management delegations.
  - 9.7.2. Ensure that budget inputs are evaluated, approved and consolidated within the Programme.
  - 9.7.3. Assign and allocate the limited available funds to achieve priorities of the department.
  - 9.7.4. Report on the consolidated state of the Programme expenditure to the departmental IYM and any relevant stakeholder.
  - 9.7.5. Review cash flows as and when required to ensure that the projected expenditure for the financial year is realistic.
  - 9.7.6. Monitor expenditure being incurred on a monthly or more frequent basis, as necessary, to ensure expenditure remains within the voted budget.
  - 9.7.7. Comply with the issued circular / communication requesting budget information.
  - 9.7.8. Ensure consultative process takes place in preparing budget.

### **9.8. Responsibility Managers must:**

- 9.8.1. Execute their responsibility manager's functions in line with financial management pledges and financial management delegations.
- 9.8.2. Ensure that budget inputs are prepared, evaluated, approved and consolidated within their area of responsibility.
- 9.8.3. Assign and allocate the limited available funds to achieve priorities of the department.
- 9.8.4. Report on the consolidated state of expenditure to the departmental IYM and any relevant stakeholder.
- 9.8.5. Review cash flows as and when required to ensure that the projected expenditure for the financial year is realistic.
- 9.8.6. Monitor expenditure being incurred on a monthly or more frequent basis, as necessary, to ensure expenditure remains within the voted budget.
- 9.8.7. Comply with the issued circular / communication requesting budget information.
- 9.8.8. Ensure consultative process takes place in preparing budget.

### **10. BUDGET PREPARATION PROCESS**

- 10.1. The budget preparation process shall be guided by:
  - 10.1.1. Budget circular/ allocation from PT.
  - 10.1.2. Departmental Planning Roadmap.
  - 10.1.3. BAC recommendations.
- 10.2. The budget allocation guiding criteria:
  - 10.2.1. Prioritize honouring legal obligations of department to avoid litigations.
  - 10.2.2. Strategic priorities of the department as outlined in the Department's SP, APP, MEC Policy speech pronouncements and EXCO resolutions.
  - 10.2.3. Key operational activities which support the overall mandate of the department.
- 10.3. Other operational costs which are necessary but must be managed through austerity measures.

### **11. NON-COMPLIANCE WITH THIS POLICY**

Any failure to comply with this policy and its provisions may constitute financial misconduct and any employee found to be transgressing this policy will be subjected to a disciplinary enquiry in terms of the Public Services Act, 1999 (Proclamation 103 of 1994) and other relevant legislation.

**12. APPROVAL OF THE POLICY**

This policy shall be approved by the Executive Authority on the recommendation of the AO as per the updated departmental delegations.

**13. COMMUNICATION**

The policy on budget will be communicated to all the employees of the department and other relevant stakeholders using the most economical method available.

**14. MONITORING AND EVALUATION**

Responsibility and accountability for implementing the policy rests with the Management of the Department supported by Management Accounting Directorate, CFO and the AO.

**15. DISPUTE RESOLUTION MECHANISM**

An employee who has a grievance or dispute within the department concerning unfair application of procedures as defined in this policy, shall have normal recourse to the applicable resolutions as well as any other right they have by law.

**16. EFFECTIVE DATE**

The policy shall become effective **on the date it is signed by the MEC** responsible for the department.

**17. VERSION CONTROL AND CHANGE HISTORY**

<b>Version Control</b>	<b>Date Effective</b>	<b>Approved By</b>	<b>Amendment</b>
Start from	YYMMDD (The date the policy takes effect)	Contact person – full name & title.	Include any superseded procedures and what the amendment is to the document.