

Impact of program-based budgeting on internal control implementation (PBB)

PEMPAL IACOP – PLENARY MEETING,
Virtual – Smart Interactive Talk (SIT)

Presenter: Zondre Seitei | Ministry of Finance, South Africa | 07 December 2021



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA


PEMPAL

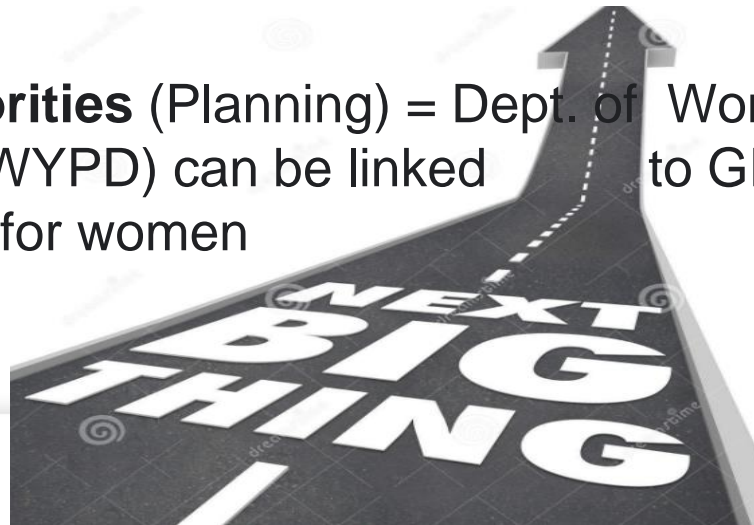


Internal Audit
Community of
Practice




PBB in R.S.A.

- **Reforms:** Traditional budgeting (incremental)  PBB (performance-driven)
- **Effective Accountability:** PFM legislation holds prog. managers accountable to ensure effective and value for money government spending (budget execution & delivery of services & performance - **Budget Prog. Managers**)
- Future trend: to **add tagging** within programmes linked to cross-cutting initiatives such as climate change & gender response budgeting (GRB)
- **Cross-cutting priorities** (Planning) = Dept. of Women, Youth & People with Disabilities (DWYPD) can be linked to GRB – e.g. the sanitary dignity programme for women



Challenges PBB seeks to address

-  in fruitless & wasteful expenditure according to reports by AGSA i.e. money that could have been reallocated for better use
- Aligning budget to key objectives of the org. – remains a challenge (Budget should be informed by purpose objectives of org.)
 - Most (24 out of 27 sample) nat. dept.'s has **not** conducted audits on the budgeting process in the last 5 years
 - UIF: Unauthorised, Irregular/non-compliant, and F&W expenditure are at all time highs – IA has a role to play (control perspective) to audit the controls governing expenditure prone to UIF



IA Value-add



- Incremental Budgeting (traditional) vs. PBB approach linked to performance (APP) – allows for:
 - Informed budgeting = Performance-driven PBB
 - Drawing up annual plans based on realistic informed budgeted figures (not thumb-suck) per deliverable
 - ↳ lack of this control ≠ non-achievement of goals
 - Unacceptable reasons = Limited budget & human resources; however, plans should be underpinned by these elements
- **IA role:** provide assurance on key performance outputs indicators *prior* to approval & tabling of APP in Parliament to ensure it is **SMART** – allowing for M&E of spending to ensure it's reflective of performance

VALUE ADDED

Solution:
Planning = Budgeting = Procurement



IA Value-add | Cont'd

**Increased
Coordination**



**Solution:
Planning = Budgeting = Procurement**



**Root cause:
Isolated Planning \wedge Budgeting \wedge Procurement**



Budgeting example: at Prog. level

Programme-based budgeting format

Table 23.3 Vote expenditure estimates by programme and economic classification- Police

Programmes									
1. Administration									
2. Visible Policing									
3. Detective Services									
4. Crime Intelligence									
5. Protection and Security Services									
Programme	Revised estimate	Average growth rate (%)	Expenditure/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/ Total: Average (%)	
				2015/16	2016/17	2017/18			2018/19
R:million	2015/16	2012/13 - 2015/16		2016/17	2017/18	2018/19	2015/16 - 2018/19		
Programme 1	16 609.3	8.2%	21.0%	17 651.7	18 893.5	20 076.7	6.5%	21.4%	
Programme 2	38 444.4	5.9%	50.7%	40 829.1	44 817.8	48 523.4	8.1%	50.5%	
Programme 3	16 092.4	5.9%	21.2%	16 847.2	18 301.0	19 601.2	6.8%	20.7%	
Programme 4	3 146.9	6.7%	4.0%	3 351.2	3 604.9	3 829.0	6.8%	4.1%	
Programme 5	2 427.7	10.3%	3.0%	2 657.8	2 826.3	3 015.8	7.5%	3.2%	
Total	76 720.8	6.6%	100.0%	81 337.0	88 443.6	95 046.1	7.4%	100.0%	
Change to 2015 Budget estimate				521.3	2 070.9	3 663.8			

Contact Details

THANK  YOU!

Zondre Seitei

**Deputy Director: PFM Capacity Building – Internal Audit
Ministry of Finance, South Africa**

+27 12 406 9008

Zondre.seitei@treasury.gov.za

www.treasury.gov.za/