

Parliamentary

Chairperson of Chairperson
Budget Review and Recommendation
Report

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Budget
Office



PARLIAMENT
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Introduction

- The Parliamentary Budget Office (PBO) was established in terms of Section 15 of the Money Bills and Related Matters Act 2009, as amended in 2018 (Money Bills Act)
- Established to support the implementation of the Money Bills Act; in particular support to Finance and Appropriations Committees in both Houses of Parliament; but other Committees and Members of Parliament (MPs) subject to the availability of capacity
- The Money Bills Act guides the approval of money bills or budgets, including amending the budget
- The PBO offers independent and objective analysis and advice to Parliament on money bills and other bills presented by the Executive; and any other documentation or reports with fiscal implications

Problem Statement

- The true test of any democratic State is the extent to which Legislature can ensure that the Government remains answerable to the people
 - This requires Parliament to conduct effective oversight of government's actions
 - Including to focus on assessing changes brought about (or lack thereof) in society and economy by the budget
- The Money Bills Act, gives effect to the resolutions on oversight of both Houses of Parliament
 - The Money Bills Act provides for a procedure to amend money Bills (budgets) before Parliament
 - The establishment of Finance and Appropriations committees in both Houses of Parliament
 - The submission of Budget Review and Recommendations Report to the National Assembly for adoption and subsequent to the relevant Minister and Minister of Finance (MoF) for consideration

Budget and Review and Recommendation Report and Money Bills Act

- The Money Bills Act sets out the process that allows Parliament to make recommendations to the Minister of Finance as well as the cabinet Minister responsible for a government function(vote) to ensure the effectiveness and efficiency of the use of resources to ensure optimal service delivery
- In October of each year, Committees compile Budgetary Review and Recommendation Reports (BRRR) for every government function
- This presentation aims
 - To simplify practical process of the current structure of the BRRR
 - To identify possible revisions to the current structure of the BRRR, and
 - But also highlight oversight areas requiring the Chairpersons considerations in preparing and reporting in BRRR

Legislative Mandate

- The Money Bills Act gives effect to sections 42(3) and 77(3) of the Constitution of the Republic of South Africa
- Section 5 of the Money Bills Act states that the National Assembly (NA) through its Committees must annually assess the performance of each national department before the introduction of the national budget
- In terms of section 5(2) of the Money Bills Act the Committees must annually submit BRRR for tabling in the NA for each department
- After adoption of the BRRR in the NA, the BRRR must be submitted to the MoF and relevant member of Cabinet, prior to the adoption of the reports on the MTBPS
- It is therefore important to noted that, the MoF provide responses to BRRRs in the Annexure A in February Budget Review
- The MoF responses are important to allow the Committees and MPs to follow through on their BRRR resolutions
- Importantly to note, the Money Bills Act further allows Parliament to amend the Budget

Purpose of the Budget and Review and Recommendation Reports

- The BRRR must provide
 - an assessment of the department's service delivery performance given available resources
 - an assessment on the effectiveness and efficiency of the departments use and forward allocation of available resources
 - may include recommendations on the forward use of resources
- Enables committees to integrate and consolidate budgetary oversight with other oversight work related to service delivery implementation by committees
- BRRR is a very important tool available for Parliament to influence the budget allocation

What the BRRR should consider

- For a Committee to make targeted recommendations in the BRRR on the strategic direction and required budget allocations the Committee requires the relevant information on the Department in terms of:
 - Compliance of accountability documentation to the National Treasury Frameworks, guidelines and regulations
 - Responsibilities or mandates of departments
 - The responsiveness of the Department to the economic and socio economic needs of the country
 - The strategic alignment of the Department to national policies
 - The capacity of the Department to spend and perform
 - Good, clean governance or Good governance
 - Efficiency and effectiveness of departmental performance
 - Ensure that there are follow through on prior years recommendations

Relevant sources to compile a BRRR

- Strategic and Annual Performance Plans
- National and Sector specific plans and policies (NDP, MTSF, IPAP, MTBPS, etc.)
- Main and Adjusted Budgets
- In-year monitoring of revenue collection and expenditure against budget and progress on performance indicator targets
- Annual Report (performance and financial information)
- Other reports such as the Management Performance Assessment Tool managed by the Department of the Presidency
- Public participation during a budget process and oversight visits outcomes

Strategic questions that need to be answered?

- Are institutions aligned to the National Development Plan? Medium Terms Strategic Framework (MTSF), Constitution, UN Sustainable Development Goals
- Does current budget programme structures provide for the funding of the NDP?
- Are the targets set in the MTSF and other plans reflected in departmental plans?
- Is the information provided able to show service delivery improvement brought about by the budget?
- How do departments budgets support economic development and growth?

What do BRRR report

- Compliance to guidelines, frameworks and regulations
- Alignment of departmental strategic priorities to national priorities
- Are the outputs informed by proper research and diagnostics?
- Can progress towards strategic priorities be measured?
- Are budget allocations realistic in terms of performance targets set?
- Are budget allocations realistic in terms of the ability to spend?
- Identification of key risks in spending trends and achieving performance targets
- Identification of governance and management risk
- The use for BRRR as oversight tool has to focus on budget outcome as opposed to budget outputs
- Committee recommends future budget allocation on service delivery requirements

The current BRRR template

- A detailed template and manual developed by the Research Unit successfully outlines the BRRR planning process and reporting requirements
- The template includes nine sections:
 - Introduction
 - Overview of the key relevant policy focus areas
 - Summary of previous key financial and performance recommendations of committee
 - Overview and assessment of financial performance
 - Overview and assessment of service delivery performance
 - Finance and service delivery performance assessment
 - Committees observations and response
 - Summary of reporting requests
 - Recommendations

Current BRR Reports

- The BRRR are comprehensive reports (in some instances more than 50 pages)
- The committee's oversight work with other sector-related activities by stakeholders
- How a department performed in terms of expenditure and service delivery in the preceding year
- How a department's planned expenditure and activities correspond with its past performance and government's priorities
- The reports indicate factors that need to be accounted for in determining future allocations and therefore inform the main Budget

Previous challenges identified about BRRR

- Disconnect between heading and content - Headings are confusing which may lead to a misunderstanding of what is required
- Remedial action - Headings could be simplified and practical examples of relevant content could be included
- Reporting versus Analysis
- Remedial action - Key analytical questions to be answered could be included under each sub-section
- Depth of financial performance reporting
- Remedial action - Further development and dissemination of standard financial analysis templates/spreadsheets could be useful

Previous challenges identified about BRRR

- Non-uniform methodology in assessing service delivery performance and economic development impact
 - Remedial action – Template could include a guideline to assessing performance relative to strategic objectives
- Generic recommendations
 - Remedial action – The above remedial actions could promote more targeted recommendations. Practical examples of various types of recommendations in the template could also assist

Additional matters for Parliament oversight process consideration

- Over the recent years, globally and in South Africa we have seen an increase demand for a rigorous legislative oversight and governance mechanisms over government service delivery and development indicators
- Improved and meaningful public participation, improved scrutiny over the Executive in service delivery and to ensure improved developmental indicators
- Deeper scrutiny by Parliament Committees, more effective public involvement and hearings, and more effective recommendations and resolutions by the Houses
- Oversight information from various stakeholders and these are used for recommendations for improvement of government service delivery and accountability, but how useful in the information for oversight
- Ineffective follow-through mechanism on Committees recommendations contribute to unresponsive of government and failed accountability, and failure to use of the budget-cycle processes or enhance oversight

Summary

- Budget Review and Recommendation Reports are very important tools for Parliament to influence budget
- BRRR are provide Parliament an opportunity to determine the service delivery and economic development indicators improvements brought about by the budget
- BRR reports to be informed by the analysis of all accountability documentation
- Each BRRR should contain a short executive summary including the main findings and recommendations
- The recommendations should, where relevant, be framed in such a way as to inform the Budget and Division of Revenue
- All recommendations from the BRRRs should be consolidated for Appropriations Committee

Enkosi, Ndiyabulela!

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Additional slides

How do we assess?

Strategic and Annual Performance Plans

- Compare content with frameworks and guides
- Check consistency of Programme performance with selected performance indicators in budget
- Is the plan informed by proper research?
- Check for the theory of change
- Logic model
- Alignment of relevant MTSF and other sector plans' objectives and targets with performance indicators
- Fewer performance indicators
- Application of the SMART principle

How do we assess?

Budget

- Growth rates
- Percentage shares per programme
- Percentage share per economic classification
- Compare MTEF allocations against performance indicator targets to ensure a realistic and aligned budget
- Constancy between budget and APP
- Check content against guidelines

How do we assess?

In-year monitoring reports

- Compliance to submission dates
- Percentage spent against current budget
- Year-on-year comparison
- Compare compensation of employees spending with personnel numbers
- Check reasons for under or over spending and compare with previous year's reasons
- Are projections realistic?
- Check progress on performance against targets
- Determine the number of targets achieved, partially achieved and not achieved
- Identify risk areas

How do we assess?

Annual Report

- Compliance to guidelines
- Check progress or regress
- Check reasons for under performance and compare with previous year
- Check the required information on transfer payments if relevant
- Conditional grants and earmarked funds
- Capital investment, maintenance and asset management plan
- Risks identified by the AGSA report