






## SAFETY AND SECURITY SECTOR EDUCATION AND TRAINING AUTHORITY

PLANNING, BUDGETING AND REPORTING STANDARD OPERATING PROCEDURE					
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## 1. PURPOSE

- The purpose of the Standard Operating Procedure (SOP) is to highlight the important and practical aspects regarding the segmentation and distribution of grant revenue and expenditure.
- The Public Finance Management Act requires transparency, accountability and sound management of the revenue, expenditure, assets, and liabilities of the institutions to which it applies.
- This SOP also brings into effect the general provisions of the Finance Policy, the Revenue Management Framework, Medium Term Expenditure Framework as well as the Generally Recognized Accounting Practices addressing the planning, budgeting and reporting aspects.

## 2. LEGISLATION

- Section 53 (1) of the Public Finance Management Act requires that the Accounting Authority must submit to the Executive Authority at least 6 months before the beginning of the financial year a budget of estimated revenue and expenditure for approval.
- Section 55 of the Public Finance Management Act requires that the Accounting Authority prepare a set of Annual Financial Statement for submission to the National treasury, the Executive Authority, and the Auditor-General of South Africa within legislated dates.

## 3. APPLICATION

### PLANNING

- The concept of planning involves identifying and understanding wholistically the business of SASSETA in terms of various departmental mandates, as well as the timing of implementation of various operational functions.
- Planning involves defining a framework or process which will be activated in providing efficient support to the rest of the organization.
- During planning we focus primarily on how best to optimize the entity's resources and reserves.
- During the planning phase conversations with departmental managers are held to understand the planned programmes for the upcoming financial year, this takes into account any budget related conversations from the Accounting Authority.
- A consolidated budget report will inform the procurement plan by legislated date.

### BUDGETING – Initial

- Phase 1
  - i. Identify all sources of revenue including their contribution basis.
  - ii. Predetermine the rate of investment income for invested surplus funds.
  - iii. Assess the probability of receiving any donor funds in line with the Revenue Enhancement initiative.
  - iv. Quantify gross income by segment.

- Phase 2
  - i. Quantify estimated expenditure by segment; (i.e., Administration, Mandatory Grant, and Discretionary Grant) also noting the legislated limits applicable to project management cost and administration grant expenditure.

*Administration Segment*

1. Identify all existing activities per department and through enquiries and prior year patterns establish if more resources will be required.
2. Compare the total administration expenditure to the total gross administration income to establish excess amount required (if any).
3. This income grant will also cater for items such as capital expenditure and payroll cost.
4. For outer years, the Medium-Term Expenditure Framework (MTEF) provides increment guidelines.

*Mandatory Grant Segment*

1. Test the consistency of the disbursement performance rate over the past 3 years (i.e., how much of the mandatory grant income is effectively disbursed).
2. Regardless of the increase in the number of new entrants the performance rate is a more reliable indicator of the probable amount to be disbursed annually.
3. Determine the excess grants to be transferred over to other grant segments.

*Discretionary Grant Segment*

1. The Service Level Agreement including the Annual Performance Plan targets are quantified to determine a budget figure required to administer the Discretionary Grant programme.
2. The Discretionary Grant Income is used to fund both Pivotal and non-Pivotal learning interventions, many of which are multi-year. It is from this grant income that we also finance the project administration cost limited to 7.5%.
3. Investment income from surplus funds forms part of the gross income structure in this segment.
4. Non-Pivotal budget is also used to fund critical supporting initiatives which are not credit bearing. These initiatives arise from the Research, Monitoring and Evaluation including the Education Training and Quality Assurance departments.
5. The remainder of the 20% non-Pivotal budget will also address the strategic projects.

- Phase 3
  - ii. Total Administration Grant Income is composed of levies from the private sector and contributions from public sector, as well as excess grant transfers from the Mandatory and the Discretionary Grant segments.
  - iii. The Finance Manager with the assistance of the Chief Financial Officer will then apply to the Department of Higher Education and Training to spend beyond the 10.5% Administration Grant limit.
  - iv. This will be supported by a business case indicating cautions spending initiatives and the reprioritization programme.

- Phase 4
  - v. Budget approval letter from the Department of Higher Education and Training is received before the commencement of the financial year.
  - vi. The Financial Accountant and Management Accountant supports the Finance Manager in allocating the approved budget to the various departments, which gives rise to departmental Variance Reports.
  - vii. Commitment and spending occur from day 1 of the financial year as it is based on the budget which best estimate the actual collection.

## **BUDGETING – Revision**

- Revised budgeting process will follow the same steps as initial except that it will take into account a minimum of 6 months of financial data into account.

## **4. REPORTING**

### **INTERNAL**

- Internal reporting ranges from communicating the monthly or quarterly Management Accounts to members of the Management Committee and the Governance Committee structures.
- Variance Reports are only communicated to the applicable Managers and their Executives. This assist in tracking spending and also identify any possible expense misallocation.
- Included in the internally communicated pack is the detailed and summarised Commitment Register as at a reporting date.
- Reporting may include any other annexure or report as requested by the Finance Committee or the Audit and Risk Committee for the benefit of the Accounting Authority.
- Monthly reports will be provided within 7 working days unless other business circumstances interfere with the reporting programme.
- Quarterly reports are mapped to the Governance Committee calendar.

### **EXTERNAL**

- External reporting includes the following submission:
  - viii. 6 and 9 monthly Management Accounts to the Internal Audit Function for the assessment of the effectiveness of the internal controls.
  - ix. 6 monthly and Annual Financial Statement to the Auditor-General of South Africa for interim and final audit purposes.
  - x. Providing Quarterly Reports and Annual Financial Statement to both the National Treasury and the Department of Higher Education and Training.
  - xi. Yearly submission of Public Entities MTEF - Budget Planning Baseline Tools (PE201) which include outer years budgets to National Treasury.
  - xii. Any other submission as may be requested by the external stakeholder.
- Timelines to all external reports are regulated.