



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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DIRECTORS-GENERAL OF NATIONAL DEPARTMENTS

HEADS OF PROVINCIAL DEPARTMENTS

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BUDGETING AND SPENDING FOR RESPONSE TO NATIONAL DISASTER DECLARED BY GOVERNMENT NOTICE NO. R. 2029 OF 18 APRIL

Following the severe weather events and the subsequent damage caused in various provinces, a national disaster was declared in terms section of 27(1) of the Disaster Management Act, 2002. The response, as announced by the President in his address to the nation on 18 April 2022, will be in a phased approach; the first being immediate humanitarian relief, phase two relates to stabilisation and recovery which includes rehousing people who have lost homes and restoring provision of services and the third phase will focus on reconstruction and rehabilitation.

Budgeting

Section 56 of the Disaster Management Act requires government to reprioritise funds to respond to disasters. In line with this approach, the public financial management and budgeting system provides the following measures that can be implemented in the budget:

Accounting officer's approval:

- Where spending is consistent with the purpose of the vote and the main division of the vote;
- Accounting officers may approve spending across main divisions, consistent with section 43 of the Public Finance Management Act, 1999 (PFMA); and
- In the case of conditional grants, national transferring officers may transfer funds consistent with the purpose of the grant if the response is within the normal business of the programme.

Relevant Treasury's approval:

- Shifts in terms of section 43 of the PFMA, and Treasury Regulation 6.3.1;
- In terms of section 19, read with section 27, of the Division of Revenue Act, 2021, transferring officers may, with National Treasury's approval reallocate funds subject to the applicable provisions related to Schedule 4, 5 and 6 grants.
- In the case of disasters, section 19(6), read with section 27, of the Division of Revenue Act, 2021 allows for the reallocation of funds in conditional grants, at the joint request of the National Disaster Management Centre and the transferring officer.
- Funds from other conditional grants to provinces and municipalities, in terms of section 20(6), read with section 27, of the Division of Revenue Act, 2021.



The mechanisms mentioned above allows for the immediate response, and stabilisation of services. The Division of Revenue and Appropriation Bills for the 2022/23 financial year have not been enacted. While awaiting the enactment, section 29 of the PFMA allows that funds may be withdrawn from the National Revenue Fund for services for which funds were appropriated in the previous financial year. This amounts to up to 45 per cent of the previous year's appropriation in the first four months of the year. This also applies to provinces in respect of provincial revenue funds. Section 27 of the Division of Revenue Act, 2021, also permits the transfer of 45 per cent of the equitable shares and conditional grants to provinces and municipalities.

For municipalities, the Division of Revenue Act, 2021, still applies until 30 June 2022. Municipalities received their last equitable transfer on 15 March 2022.

Once the Division of Revenue and Appropriation Acts for the 2022/2023 financial year are enacted, further flexibility to access funds from the contingency reserve is provided for. After the enactment of the Appropriation Act, appropriated funds may also be shifted in accordance with section 43 of the PFMA, Treasury Regulation 6.3.1 and section 5 of the Appropriation Act. Section 30 of the PFMA provides for the circumstances in which the national budget may be changed through an adjustments budget passed by Parliament.

Based on assessments for reconstruction and the project plans to be implemented, the National Treasury will assess the most appropriate way to align this to the budget process.

Spending

To track spending related to disasters, changes to the fund and project segment have been implemented in the Basic Accounting System (BAS).

The fund and project segment codes have been centralised to allow for consistency in the reporting of disaster relief allocations and expenditure. Departments are requested to immediately use newly created fund and project segment codes and to journalise any disaster relief related expenditure already incurred.

Spending in the item segment is recorded against the various appropriate categories depending on the department's use for the items or services procured. The fund and project segment changes that have been implemented on BAS are attached in Annexure A.

Departments will be required to report on spending on the disaster response. Such spending reports will be extracted from the financial systems and included in the monthly In-Year Monitoring report. The National Treasury will issue an instruction on weekly reporting on procurement related to disaster relief.

Real time auditing

The Auditor-General of South Africa (AGSA) will conduct real-time audits on the emergency flood relief funds made available to provide much-needed relief to communities in flood-ravaged areas. The audit will provide independent assurance on whether public funds have been appropriately accounted for and were used for its intended purpose.



A real-time audit is still reactive and, therefore, transactions must take place for the audit to provide independent assurance that the transaction was performed correctly, that the purchased goods or services were of the right quality and that it reached the intended beneficiaries. It must also determine that the transactions that took place complied with the requisite laws and regulations.

In essence, a real-time audit is an early audit aiming to prevent, detect and report on the findings to ensure an immediate response to prevent leakage, potential fraud and wastage. Real-time audits equip accounting officers and accounting authorities of public institutions to act quickly on weaknesses in controls and prevent further losses. A real-time audit also enables immediate oversight and consequence management.

The focus of the real-time audit will be on:

- Prevention – the AGSA will be testing the implementation of the preventative controls to address the increased risks and significant changes in operations and will report to the accounting officer/authority on the remaining risks.
- Detection – high-risk transactions will be subjected to an audit and any key observations are reported to the accounting officer/authority as soon as they are identified to be addressed before any additional payments are made.
- Reporting – work done by the AGSA, the outcome thereof and the responses by accounting officers and authorities to any weaknesses identified are reported in a special report.

Through an early audit, the AGSA will provide real-time insights into the management and usage of funds earmarked for disaster relief in accordance with the objectives and targets set for those funds. For any queries related to the above, please contact the relevant budget examiner for your vote.

Yours sincerely

DUNCAN PIETERSE
ACTING DIRECTOR-GENERAL
DATE:



ANNEXURE A

Fund Segment changes:

1	2	3	4	5	6	7	8	SEGMENT DETAIL NO	POST LEV
EXPENDITURE:VOTED								1	N
DEPARTMENTAL APPROPRIATION								2	N
VOTED FUNDS DISCRETIONARY								21	N
DEPARTMENTAL VOTE								37	N
VOTED FUNDS								38	Y
DISASTER RESPONSE FUNDS								1850	Y
CONDITIONAL GRANT PAYMENTS								468	N
CONDITIONAL GRANTS: ALL DEPTS								469	N
AGRIC, LAND REFORM&RURAL DEV								1473	N
COMPREHENSIVE AGRICULT SUP GRANT								1503	N
CASP:INFRASTRUCTURE								1507	N
CASP: INFRASTRUCTURE								1508	Y
GEN ACC:CASP:INFRASTRUCTURE								1509	Y
CASP: DISASTER RESPONSE GRANT								1851	Y
GEN ACC:CASP:DISASTER RESPN GRNT								1852	Y
BASIC EDUCATION								472	N
EDUCATION INFRASTRUCTURE GRANT								515	N
EDUCATION INFRASTRUCTURE GRANT								597	Y
GEN ACC:EDUCATION INFRA GRANT								588	Y
DISASTER RESPN:EDUCATN INFR GRNT								1853	Y
GEN ACC:DIS RESPN:EDUC INFR GRNT								1854	Y
COOPERATIVE GOVERNANCE								473	N
PROVINCIAL DISASTER RESPNSE GRNT								1823	N
PROVINCL DISASTER RESPONSE GRANT								1824	Y
GEN ACC:PROV DISASTER RSPNS GRNT								1825	Y
HUMAN SETTLEMENTS								476	N
HUMAN SETTLEMENTS DEV GRANT								492	N
HUMAN SETTLEMENTS DEVEL GRANT								564	Y
GEN ACC:HUMAN SETTLMNTS DEV GRNT								565	Y
DISASTER RESPNS HUM SET DEV GRNT								1855	Y
GEN ACC:DIS RES HUM SET DEV GRNT								1856	Y
INFORM SETTLE UPGR PART GRNT PROV								1674	N
INFORM SETTLE UPGR PART GRNT PROV								1675	Y
GEN ACC:INFRM SET UPGR PART GRNT PROV								1676	Y
DIS RES INF SETE UPGR PART GRN PR								1857	Y
GEN ACC:DIS RES INF SET UP GRN P								1858	Y
TRANSPORT								481	N
PROV ROAD MAIN GR:DIS REL COMP								505	N
PROV ROAD MAIN GR:DIS REL COMP								530	Y
GEN ACC:PV RD MNT GR:DIS REL COM								505	Y
WATER AND SANITATION								485	N
REGIONAL BULK INFRASTRUCT GRANT								486	N
REGIONAL BULK INFRA GRANT								526	Y
GEN ACC:REGNL BULK INFRA GRANT								527	Y
DIS RESP REGNL BULK INFR GRANT								1859	Y
GEN ACC:DIS RES REG BULK INFR GR								1860	Y
WATER SERVICES INFRASTRUCT GRANT								487	N
WATER SERVICES INFRA GRANT								528	Y
GEN ACC:WATER SERVS INFRA GRANT								529	Y
DIS RESP WATER SERVS INFRA GRANT								1861	Y
GEN ACC:DIS RESP WAT SER INFR GR								1862	Y



Project Segment changes:

1	2	SEGMENT DETAIL NO	POST LEV
	PROJECTS	1	N
	DEPARTMENTAL SPECIFIC PROJ LIST	2	N
	PRJ:DISASTER RESPONSE	1240	Y
	NO PROJECTS	17	N
	DISASTER RESPONSE	1241	Y