PART 7 – BUDGET AND EXPENDITURE CONTROL

DIVISION 1 - APPROPRIATIONS

1. Supply Services

Expenditure incurred from the Consolidated Revenue Fund is subject to annual appropriations made by the Parliament through the **Appropriation Acts.**

2. Adjustment of Appropriations

2.1 **Reallocation Between Services: Section 24 of the Public Finances (Management) Act, 1995** provides for adjustment of Appropriation as between services. Corresponding provision is also included in the **Appropriation Act (Section 4)** each year. Where there is insufficient appropriation to meet expenditure on services already included in approved estimates, the Minister may direct the reallocation of unspent appropriation or savings under other services.

2.2 **Reallocation For New Services and Between Services: Section 25** of the Public Finances (Management) Act provides for adjustment of Appropriation for new services and as between services through the Secretary's Advance. A corresponding provision is made under **Section 3 of the Appropriation Act**. Where there is insufficient or no appropriation to meet expenditure for a particular service, the Minister may direct the allocation of additional appropriation through the Secretary's Advance. The Secretary's Advance is an approved amount of Appropriation under a vote.

2.3 Allocation of additional appropriation to a **New Service** or a service with no appropriation must be obtained from the Secretary's Advance. Additional allocation to an **Existing Service** or a service having insufficient appropriation may be made from savings available under other services or from the Secretary's Advance.

2.4 **Limits on Reallocation:** An Act of Parliament, normally the **Appropriation Act**, lays down a ceiling for the total reallocation between services under 2.1 above. It will be the responsibility of the Secretary, Department of Treasury that this limit is not exceeded.

Under the **Public Finances (Management) Act, 1995 and the Appropriation Act** the net amount of reallocations for new services and between services through the Secretary's Advance under 2.2 above should not exceed the amount appropriated under the Secretary's Advance. It will also be the responsibility of the

Secretary, Department of Treasury to ensure that this limit is not exceeded.

3. Delegation to Departments:

3.1 The Minister may delegate under **Section 26(1) of the Public Finances (Management) Act, 1995** his powers to reallocate funds between line items, subject to the overall limit laid down in the **Appropriation Act,** to the Secretary, Treasury

3.2 The Secretary, Department of Treasury may in turn delegate under **Section 26(2) of the Act**, his powers to reallocate funds between services under 2.1 above to Departmental Heads subject to the limits on reallocation under 2.4 above and further subject to the conditions that may be imposed.

4. Procedure to follow for Reallocation of Funds:

(a) Reallocation to be approved by the Departmental Head under the Delegated Powers (Paragraph 3.2 above).

(i) The Divisional Head (normally the ***Section 32 Officer*** *with operational responsibility for expenditure on the vote) who is requesting the transfer completes Finance Form 34 "Application for re-allocation of funds".*

(ii) Departmental Head checks application and ensures the limit has not been exceeded, items are within his authority, and prescribed conditions are met.

(iii) Departmental Head either approves or rejects request.

(iv) If transfer approved, Warrant Authorities should immediately be prepared to reflect the reallocations.

(v) A monthly report on reallocations made by Departmental Heads under the delegated powers during each month shall be sent to the Department of Treasury on Finance Form 35, no later than the 5th day of the following month, with a copy to the Auditor General

(vi) No reallocation shall be approved after the close of the fiscal year

(b) Reallocations to be approved by the Department of Treasury (Paragraph 2.3 above).

(i) Departmental Head completes Form SA-P1 and submits it to Department of Treasury. Reallocations during quarterly reviews will be considered on Form SA-QR.

(ii) Application considered by Secretary, Department of Treasury, and either approved or rejected.

(iii) If approved the Department of Treasury raises Warrant Authority to reflect the reallocation and submits it to the Secretary, Department of Finance and Treasury for signature.

DIVISION 2 - MINISTER'S WARRANT, WARRANT AUTHORITIES AND CASH FUND CERTIFICATES

Appropriation denotes approval by Parliament it does not constitute the authorisation, express or implied, to commit or spend. Such authorisation is provided by Warrant Authority. There are two kinds of Warrant Authorities Minister's Warrant and Departmental Warrant Authority.

5. Minister's Warrant:

5.1 Soon after the annual **Appropriation Act** is passed by the Parliament, the Minister's Warrant is issued under **Section 29(1) of the Public Finances (Management) Act, 1995**. It constitutes an authorisation to the Secretary for Treasury, to issue Warrant Authorities to National Government Departments, Provincial Government and Local level Government and agencies to release funds from the Consolidated Revenue Fund. However the Minister's Warrant does not constitute an authorisation to these agencies to commit or spend.

5.2 Minister's Warrant is issued for the full amount of expenditure under Consolidated Revenue Fund in the National Budget. It includes the provisions made in the **Appropriation Acts**. However, this amount may be reduced by the Minister under **Section 29(2) of the Act** if in his opinion "financial exigencies or the public interest so require".

6. Warrant Authorities:

6.1 The next stage after the Minister's Warrant is the issue of Warrant Authorities. These are issued by the Secretary for Treasury under **Section 29(1) of the Act** "authorising the expenditure of moneys from the Consolidated Revenue Fund for the purpose for which these moneys are appropriated. Warrant Authorities constitute the authorisation to implementing agencies to commit and spend funds out of the Consolidated Revenue Fund.

6.2 Warrant Authorities are issued for items of expenditure under each activity and project.

6.3 Normally, Warrant Authorities are issued periodically by the Secretary for Treasury for example monthly warrants, and the amount of Warrant Authorities is based upon cash availability.

6.4 The amount in Warrant Authorities is generally based on estimate of cash flow requirements submitted by agencies. However, Warrant Authorities can be issued for reduced amounts if in the opinion of the Minister "financial exigencies or the public interest so require".

6.5 Warrant Authority for Donor Funded Projects will be treated as Non-Cash Warrant Authorities and issued on the basis of funding available from the Donor agencies.

7. Lapsing of Recurrent Appropriation and Certain Warrants:

7.1 All recurrent appropriations out of the Consolidated Revenue Fund lapse at the end of the fiscal year with the exception to advances of Government contribution to donor-funded projects.

7.2 Subject to Section 34 of the Act, all Warrant Authorities issued to all Agencies relating to recurrent appropriation lapse at the end of the fiscal year. Warrant Authorities for grants to Provincial and Local-level Governments lapse at the end of each fiscal year.

8. Limit of Expenditure:

8.1 **Section 29(2) of the Act** provides that a Warrant issued under Section 29 (1) may limit the amount of moneys to be spent from the Consolidated Revenue Fund if, in the opinion of the Minister, financial exigencies or public interest so require. **Section 31(3) of the Act** further provides that, notwithstanding the issue of a Warrant Authority, if in his opinion the financial or the public interest so require, the Minister may limit or suspend any expenditure with or without suspension of the authority.

8.2 Hence, the imposition of the limit on the expenditure can be done by the Minister in the following way -

(a) Withhold or reduce the amount in Minister's Warrant or in Warrant Authority.

(b) Limit or suspend the expenditure in respect of a Warrant Authority already issued either by suspending that Warrant Authority or even without suspending it.

9. Cash Ceilings:

Based on total estimated revenues of the National Government during a month that can support that month's actual expenditure, it is prescribed that Cash Ceilings should be allocated in aggregate, but separately, for:

(i) Personal Emoluments Items processed by Dept. of Finance	-	To Department of Finance
(ii) Other Goods and Services processed by Implementing agencies	-	To Implementing agencies.

Each category of Cash Ceiling should be further distributed by the Department of Treasury and the implementing agency among votes between Headquarters and Provincial and Local-level Government expenditure.

10. Procedure for Issue of Warrant Authorities:

10.1 Cash flows received from Departments are input to the Planning and Budgeting System (PBS) computer in the Department of Treasury. Warrants are generated on the system with reference to the Fund Flow.

10.2 The Secretary for Treasury may decide to issue Warrant Authorities on all or some items (expenditure votes), with the exception of personnel emoluments, included in the budget of a department to the Departmental Head.

10.3 Irrespective of the agency to which Warrants are issued or which makes the payment, the Departments in whose budget the votes are included are responsible to ensure that commitments and expenditure are within authorised limits.

10.4 The computer generated Warrant Authority on PBS uses Finance Form 23 B. Sometimes, it is necessary to issue Warrant Authorities manually, using Finance Form 23A for departments on Program Budget, and Finance Form 23 for departments not on Program Budget.

10.5 All Warrant Authorities will be issued by the Budgets Division in triplicate. Original will be sent to the departmental head while the duplicate will be forwarded to the Expenditure and Cash Management Division. Triplicate will be retained by Department of Treasury for updating the warrant control registers kept in the Budget Division.

10.6 Warrant Authorities issued to Departmental Heads and Administrators must be entered into the appropriate accounting system (eg PGAS).

11. Cash Fund Certificates:

11.1 Before the Issue of Cash Fund Certificates (CFC)

(a) The Warrant Authorities received from the Department of Treasury must be entered in the Funds Distribution Control cards (Finance Form 19).

(b) The next step the Departmental Heads must take is to decide how each vote is to be distributed among the Financial Delegates. Requirements of funds by Financial Delegates will depend on the number of votes for which they are responsible and anticipated commitment from respective centres. It is not necessary to immediately allocate all the funds available under a Warrant Authority. If the Departmental Head feels that some funds should be held back for contingencies, this can be done.

(c) While there is no limit on the number of Financial Delegates a Department should have, Departmental Heads should try to keep their number to a minimum so that there is effective coordination and monitoring. Generally, a Financial Delegate should be a senior member of the Finance and Accounting Section of the Department.

(d) In order to avoid delays in the signing of requisitions and claims, Departmental Heads may appoint a main Financial Delegate and an alternate for each centre.

(e) The appointment document specimen signature of Financial Delegates and their alternates should be forwarded by the Departmental Head to the Government paying office under whose jurisdiction the Financial Delegates operate.

Whenever there are staff changes, the appointment document which shall include specimen signatures of the new incumbents, must be similarly forwarded to the paying offices without delay.

(f) Upon receipt of the Cash Fund Certificate (CFC) at the paying office, the Cash Fund Certificate must be entered into the appropriate accounting system (eg PGAS).

11.2 Issue of Cash Fund Certificates (CFC)

(a) After distributing amounts in Warrant Authorities, Financial Delegates receive feedback on allocation of funds made under cash fund certificates. The Cash Fund Certificates (CFCs), are signed by the Departmental Head and indicate the limits up to which funds may be committed and spent by them. Finance Form 17A can be used by Implementing agencies on Program Budget while Finance Form 17 is for agencies not on Program Budget.

(b) The following points should be noted when preparing a CFC:

(i) Cash Fund Certificates shall bear distinct (six digit) numbers to identify the Financial Delegate to whom they are issued. If more than one Cash Fund Certificate is raised to a Financial Delegate during the year by a Departmental Head, the same distinctive (CFC) number should be used on all of them, but they will bear sequential serial numbers.

(ii) The first three digits of the CFC number must indicate the Division Number of the Department followed by a three digit number that identifies the Financial Delegate (or the CFC Holder). For example:

Department	***CFC No.***	***Serial No.***
Finance	*207-001*	*001,002*
Health	*240-013*	*001,002*

(iii) ***Distribution***

Cash Fund Certificates must be made out in triplicate and distributed as follows:

Original	*to the Financial Delegate (to be kept with the Commitment Control Section)*
Duplicate	*to the controlling paying office*
Triplicate	*Book-fast*

(iv) Cash Fund Certificates should indicate the Warrant Authority number.

(v) Cash Fund Certificates lapse at the end of the year in which they are issued.

(c) Once CFCs have been issued they should be entered into the Funds Distribution Control Cards (FF 19) and into the appropriate accounting system (PGAS). The aggregate of Cash Fund Certificates eventually raised under each vote should at no stage exceed the total funds approved under Warrant Authorities for that vote.

DIVISION 3 - CONTROL OF PUBLIC EXPENDITURE

The system of Decision-making in Government Expenditure:

12. The central focus in expenditure control is how to bring the growth of public expenditure under better control, and how to contain it within such limits as the Government thinks desirable. Different Governments will have different views about the proper size of public expenditure, but all have the same problem of how to keep it within this size. The level of government expenditure and thus the level of taxation are consequences of Government policies and the crucial point is the system by which policies affecting public expenditure are made and decisions about public expenditure are taken. Public expenditure decisions, whether they are defence, police, education, or anything else are made after taking into consideration what the country can afford having regard to prospective resources and the relative importance of one kind of expenditure against another.

The Responsibilities of Implementing Agencies and the Departments of Finance and Treasury:

13. The primary responsibility of an agency is to implement its policy effectively within financial limits laid down by the Government. The agency is itself responsible for efficiently implementing its policy initiatives, the agency head, as an accountable officer, is responsible for the efficient administration of the agency. It is important that these responsibilities are clearly understood, fully accepted and reflected in the agency's relations with the Departments of Finance and Treasury in a common enterprise.

The Department of Treasury is responsible for economic policy and its implementation. The Department of Finance is responsible for financial policy and implementation as well as being the custodian of the consolidated revenue fund. Jointly, they bear the responsibility for:-

(a) allocating the amount of money to be made available for each purpose to each agency;

(b) advising agencies on financial matters through issue of Financial Instructions, and for assisting them to maintain proper practice in the expenditure of public money.

Importance of Management:

14. All must be increasingly conscious of the importance of management. The efficiency of management includes the preparation of material supporting decisions; the technical efficiency with which administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services for handling difficult problems; the training and selection of men and women for posts at each level of responsibility. These are the foundations of good management and it is upon them that the effective control of expenditure and value for money must ultimately depend.

15. The primary responsibility for management efficiency in each agency must rest with the agency. This includes the organisation of work; the scrutiny of new agency policies; the detection and removal of deficiencies in management and the critical review of the agency's existing activities, particularly those which are static or declining.

16. Staff engaged on this work should be highly competent and in particular provide high quality advice and counsel, to the agency heads on staffing and organisation matters, and in this regard the post of Principal Establishment Officer should be given the utmost priority. It is increasingly necessary for the agency head to devote considerable time and attention to problems of management. His responsibilities are to ensure that appropriate policies are carried out economically and that his department is staffed as efficiently as possible for this purpose seems no less important than advising his Minister on major issues of policy.

17. An efficient public service is vital for control of expenditure. The recruitment of competent and technically proficient personnel to meet the foreseeable requirements; proper training of staff; and maintenance of a transparent selection process so that the best individuals may ultimately emerge in the most senior posts.

18. It follows that agencies should be knowledgeable with their internal organisation to be able to detect and cooperate in remedying defects and shortcomings in managerial efficiency; and should be aware of those talented staff members who appear to be marked out for advancement and be able to develop career planning options with foresight and imagination.

DIVISION 4 - CASH FLOWS

19. Expenditure Cash Flow

Soon after the Parliament has passed the **Appropriation Act** but before the beginning of the financial year, Departments, Provincial Governments, Local-level Governments and Statutory Authorities in respect of grants payable under the Organic Law should prepare cash flows of revenue and expenditure for each vote (for example - each item under an Activity or Project) on the expenditure side and each sub-head on the revenue side. Cash flow statements are prepared on the basis of amounts approved in the budget. Generally, a circular on their preparation is also issued by the Department of Treasury.

There are two types of Cash Flows for Expenditure:

- Fund Flow statement
- Expenditure Out Flow statement

20. Statement of Fund Flow

20.1 It is prepared for the following purposes:

- To determine the amounts for which Warrant Authorities should be issued by the Department of Treasury.
- To ensure that commitments are planned.
- To monitor decommitments against planned commitments.

20.2 It shows the estimated commitment for each month of the year under each vote (item under an activity or project) against the annual estimate of expenditure.

20.3 Preparation of the Statement of Fund Flow is important because Warrant Authorities issued on this basis set the ceiling within which funds can be committed, and commitment is the first and most important point of expenditure control.

21 Statement of Expenditure Outflow

21.1 This statement is prepared for the following purposes:

- To determine the amounts of monthly cash ceiling (separately for salary, Department of Works items, and other items) to be issued by the Department of Treasury for each Implementing Agency.
- To plan expenditure month-by-month.
- To monitor actual expenditure against planned expenditure.

21.2 It shows the estimated disbursement by cheque/cash for each month under each vote against the annual estimate of expenditure.

21.3 Statement of Expenditure Outflow is important for planning and controlling cash.

21.4 Both the Fund Flow and Expenditure Outflow statements are prepared for each vote against approved annual expenditure in the budget. Therefore, the yearly total should be the same in both statements. However, there may be differences in any month because of delay in supplies or submission of claims by suppliers.

22. Statement of Revenue Inflow

22.1 This statement shows the revenue projection month-by-month for each sub-head under each revenue head against the approved annual amount in the Budget. The projected amount is the amount of revenue expected to be deposited in the bank to the credit of government account.

22.2 The Revenue Inflow is important for:

(a) planning and control of cash requirements, and

(b) deciding the amount of Warrant Authority and/or monthly cash ceiling.

23. Periodicity

The Cash Flow (Fund Flow, Expenditure Outflow, and Revenue Inflow) projections should be prepared by Departments, Provincial and Local level Governments and Statutory Authorities soon after the Parliament has passed the **Appropriation Act** but before the beginning of the year. However, these projections are likely to undergo changes as the year progresses. The Cash Flow statements will, therefore, require revision. This revision should be done by Departments, Provincial Governments Local-level Governments and Statutory Authorities quarterly or as and when required in accordance with guidelines prescribed by the Department of Treasury. The revised cash flows should indicate:

(a) the actual expenditure/revenue in each month up to the preceding month, and

(b) month-by-month projection for the following months of the year.

24. Guidelines for preparing the Statement of Fund Flow and the Statement of Expenditure Outflow

24.1 The Statement of Fund Flow deals with the projection of fund requirements for commitment whereas the Statement of Expenditure deals with the projection of expenditure or actual payments likely to arise in a year. The distinction between the two is very important and crucial, and should always be kept in mind while preparing both statements.

24.2 The Cash Flow should be prepared in consultation with Financial Delegates responsible for an expenditure vote. Financial Delegates should in turn consult the respective Activity or Project managers and Section 32 Officers before sending cash flows to departmental headquarters.

24.3 Commitments and expenditure should be projected on the basis of month-by-month planned requirement of inputs at different stages for an Activity or Project under each expenditure item. The amount approved in the Budget should not be equally divided among months.

24.4 Expenditure on an Item is aggregated from the sub-items of expenditure. Fund Flow and Expenditure Outflow under an item should, therefore, be projected after determining in which month the sub-item would be committed and paid respectively.

24.5 Distinction between regular and irregular or seasonal payments should be kept in mind. For this purpose, factors such as three pay periods in a month, agreements having a fixed date to pay, payments falling due at the end of a quarter or some other period, leave fares to be paid when officers are due to go on recreation leave, repatriation expenses and similar out goings should be kept in mind.

24.6 Even if personal emoluments are processed by Department of Finance, cash fund certificates should be issued to the Secretary, Department of Finance by Heads of Departments in whose budget the expenditure votes are included and who are responsible to ensure that over-commitment and over-expenditure do not take place on personal emoluments.

24.7 In case of PIP/SIP projects, the statements should be prepared on the basis of implementation schedules agreed upon with the Department of National Planning and Monitoring and only for those projects for which funds have been secured.

24.8 Each PIP project funded by an external agency should have two (2) expenditure outflow statements in respect of: (i) expenditure financed through internal revenue, and (ii) reimbursable expenditure. In addition, a revenue inflow statement for reimbursable expenditure should also be prepared.

DIVISION 5 - EXPENDITURE DECISIONS: SECTION 32 OFFICERS

25. Management of Budget: General Principles

25.1 Management of financial resources allocated to a Department should aim at economical means of achieving Departmental goals and objectives within the limit of allocated funds. Funds are allocated annually through the National Budget under **Section 22 of the Act**, to the various

Departments. While budgetary control of expenditure is important, it does not alone guarantee the quality of decisions made or that the expenditure programs are cost effective and meet Departmental goals and objectives in conformity with approved Government priorities.

25.2 Senior Departmental Managers must ensure, before approving expenditure of funds, that the various options have been considered and the best option is selected. The Act and the Financial Instructions provide for certain essential procedural steps to be taken within each Department consistent with the manager's accountability for the management of Departmental funds. The Act also provides for responsibility assigned to various levels of officers, coordination of major purchases through Supply and Tenders Boards, control over execution of contracts and accounting and reporting as a means to ensure overall cost effectiveness and to discourage wasteful, extravagant and unproductive expenditure.

25.3 The destination of funds appropriated by the National Parliament through an Appropriation Act cannot be changed except by a due process laid down in the **Appropriation Act** itself or the **Public Finances (Management) Act 1995**.

25.4 It should be recognised that even though individual Departmental Budgets may have been carefully formulated, it may not be possible to meet all their revenue and expenditure requirements given the limitation on available resources. Departmental Budgets will undergo curtailments and changes in the course of scrutiny before the final phase of approval by the National Executive Council.

25.5 It is the responsibility of senior Departmental management to modify Departmental expenditure program or expenditure on various services, in close consultation with the Budget Division of the Department of Treasury, to reflect the changes as finally approved. The fact that the funds, originally sought through the Department budget estimates, were not approved will not be accepted as an excuse for overspending an appropriation.

26. Expenditure Decisions and Section 32 Officers

26.1 **Expenditure Decisions:** All expenditure decisions are taken by the **Section 32 officer** who is in charge of the particular area of work (Activity or Project) by approving requisitions of expenditure.

26.2 **Appointment of Section 32 Officers:** Section 32 officers are appointed only by Departmental Heads under Section 32 of the **Public Finances (Management) Act, 1995.** These appointments are to be published in the Government Gazette and a copy of gazettal notice submitted to the Department of Finance.

Section 32 appointments are made by positions and any change in the incumbency of the positions does not need alteration to the list.

26.3 **Limits of Authority of Section 32 Officers:** The following limits apply to the authority of a Section 32 Officer to make decisions:

a) The authority should be used only in regard to services and items in the budget or votes to which he is administratively responsible. However, wider powers have been given to some Section 32 Officers (Departmental Secretaries, Provincial Treasurers and District Treasurers) for the sake of administrative convenience.

b) Other than expenditure decisions for Provincial Treasury operations, Provincial Treasurers will not be permitted to exercise authority under Section 32 to make expenditure decisions for Provincial and Local -level Governments.

c) Financial limits are also specified in the appointment and in the Government Gazette for each Section 32 Officer and for each of four purposes; departmental purposes, maintenance, capital purchases and capital works.

26.4 **Duties of Section 32 Officers**: At the time of approving requisitions for expenditure, Section 32 officers should:

a) Keep in view the objectives and priorities of the implementing agency and program;

b) Take into account the alternatives and ensure that the proposed expenditure is the best way of achieving the Program objectives and the tasks under the Activity/Project;

c) Ensure that funds are available as per the Cash Fund Certificate held by the Financial Delegate;

d) Observe due economy and avoidance of waste and extravagance;

e) Ensure that the proposed expenditure is according to established plans and will not result in other planned expenditure being delayed or aborted through lack of funds;

f) Ensure that proper procurement practices have been observed in accordance with Part 9 (Minor Procurement) or Part 10 (Major Procurement)

g) Accord approval for expenditure on the prescribed requisition form (FF3).

26.5 **Expenditure Decisions Up to K500:** All Financial Delegates have been authorised to approve requisitions for expenditure up to K500 for departmental purposes. In such cases approval by Section 32 Officer is not necessary.

27. Requisitioning of Expenditure

Requisitions for expenditure should be raised by requisitioning officers. The requisitioning officers should be responsible officers (e.g. Section Heads) under the Activity to which the votes relate.

28. Distinction between Section 32 Officer and Financial Delegate:

28.1 **A Section 32 Officer** approves a requisition for expenditure and, therefore, makes the expenditure decision. It is the duty of the Financial Delegate to implement this decision by following the prescribed financial procedures.

28.2 **A Section 32 Officer** may be appointed as a Financial Delegate and if so appointed, he will take expenditure decisions as well as implement them. However, implementing agencies should avoid the tendency to make Section 32 Officer a Financial Delegate. Appointment of too many Financial Delegates is costly because of the commitment sub-system to be maintained and will negate rational use of staff resources, besides endangering the security requirements for accountable (ILPOC) forms.

DIVISION 6 - FINANCIAL DELEGATES AND COMMITMENT CONTROL

29. Appointment of Financial Delegates:

(a) Departmental Heads shall appoint officers as Financial Delegates within their respective implementing agencies or in other agencies.

(b) In the case of Provincial Governments for funds appropriated under Provincial and Local Level Government Grants, the Provincial Administrator as the deemed Departmental Head will issue Cash Fund Certificates.

(c) Cash Fund Certificates issued to Local-level Governments must be made to Executive Officers of the Local-level Government as the Financial Delegates.

30. Roles and Duties of a Financial Delegate:

30.1 A Financial Delegate's role is mainly to:

- control allocated funds so that over commitment does not take place;

- ensure observance of prescribed financial procedures in implementing expenditure decisions;

- review and monitor commitments and expenditure so that timely warnings are given on fund availability.

30.2 Upon receiving a requisition for expenditure, it is the Financial Delegate's responsibility to check the following:

- That it has been approved by the correct Section 32 Officer if over K500. If the estimated expenditure is K500 or less, he may approve it, after ensuring that proper Minor procurement procedures as outlined in Part 9 have been complied with.

- That funds are available on the expenditure vote.

30.3 In addition to the above, the Financial Delegate has the following duties:

a) To ensure that proper commitment control procedures are enforced. (see paragraph 33 for details).

b) To initiate necessary steps to comply with prescribed financial procedures e.g. tender procedures or special procedures set out under Financial Instructions.

c) To constantly review commitment and expenditure trends against CFC allocation and:

(i) take steps to obtain additional funds before CFC limits are reached or to economise expenditure if additional funds are not likely to be forthcoming, and

(ii) identify savings in a timely manner and surrender them to the Departmental Heads for use elsewhere.

d) To notify Section 32 Officer of expenditure votes that are likely to run out of funds in the near future.

e) To notify the Departmental Head of any vote that is out of control or of any irregularities incurred on a specified vote.

f) To provide regular and up to date status information on votes as required, and for the purposes of monthly and quarterly reviews.

31. Certifying Officers

31.1 **Appointment:** Departmental Heads of the Department responsible for administration of the Government paying offices and self accounting Departments may appoint officers generally at Clerk Class 6 level or above as Certifying Officers. These officers should have undergone intensive training in Government financial procedures and are thus familiar with them.

31.2 **Duties:** Their duties include supervision of the claims examination system and certifying that the claims rendered are correct and can be paid.

32. Authorising Officers

32.1 **Section 33 of the Act** requires appointment of Authorising Officers for authorising payment of accounts. Officers in charge of Government paying offices and cash offices are appointed as Authorising Officers and they should ensure that the accounts are duly certified by Certifying Officers before payment.

32.2 To safeguard internal control procedures, the accounting functions exercised by the Certifying Officer and Authorising Officer must not be performed by the same individual.

33. Commitment Control:

33.1 Financial Delegates are responsible for commitment control.

33.2 The purpose of commitment control is to ensure that -

- *commitments and payments on a particular vote do not exceed the CFC authorisation.*
- *Funds are available to cover commitment and expenditure on a vote.*
- *Lack of funds are spotted early so that corrective action can be taken in time.*
- *An expenditure is committed to the correct activity or project vote and on items it pertains to.*

33.3 To achieve this objective, each Financial Delegate should have an organised commitment control system. It is prescribed that a Commitment Control Ledger (FF20) should be maintained for each vote, and the Ledger should indicate the following:

- CFC, as and when received.
- Commitments made (Finance Forms 3, 4 and 4-A).
- Payments made against commitments. Paying Officers should furnish (daily or at least weekly) copies of payment vouchers

(FF4, FF4-A) processed by them and listing them by vote for each Financial Delegate.

33.4 This procedure is necessary where appropriate computerised accounting systems such as (PGAS) are not in place.

33.5 Where the appropriate computerised accounting system is used (eg. PGAS) each CFC shall be entered into the system when received. Appendix 1 of Part 3 deals with the operations of the standard government accounting system.

33.6 Provincial Transactions

The Provincial Treasuries shall provide a commitment control service using the computerised accounting system (PGAS) to Financial Delegates of the National Government Departments whose programs and activities have not been transferred to the provinces. The heads of Provincial and or District Treasuries themselves shall be appointed as Financial Delegates by National Government Departments, Provincial Governments and Local Level Governments for their expenditure programs.

33.7 Over Commitment of Funds

Over commitment of funds should not take place as it constitutes an offence under the Public Finances (Management) Act, 1995. Even if it is anticipated that additional funds would be available some time in the future, over-commitment is not permitted.

If an expenditure is urgent or of high priority and there are no funds available then the correct procedure is to request transfer of funds from an underspent vote and after the funds are transferred under prescribed procedure, to make the commitment.

A person who without due care, overcommits funds under his control, is guilty of an offence.

DIVISION 7 - MONTHLY AND QUARTERLY REVIEWS

34. Monthly And Quarterly Reviews:

There are two main types of financial review that should take place on a regular basis during the year. These are:

- Internal departmental reviews - that should take place monthly.
- Department of Treasury reviews - that should take place quarterly or as often as required.

35. Internal Monthly Reviews:

35.1 Purpose of Internal Monthly Reviews

- To compare the receipts, commitments and expenditures of the department as per the Department's records to the receipts, commitments, expenditures shown on the records (General Ledger) of the Department of Finance.
- To review the collection of receipts against targets and prorata budget, to review commitment and expenditure against warrants and CFC, and to take necessary corrective action.

35.2 Steps to Carry out Monthly Review

(i) Financial Delegates should prepare status reports each month and send them to the Department's central finance section.

(ii) Department should consolidate monthly status reports from all Financial Delegates and prepare a summary of its financial status by vote.

(iii) Departmental totals should be checked against Department of Finance monthly statements from the General Ledger. Reasons for differences must be identified and either the Department's own records corrected or the Department of Finance records corrected, if necessary.

(iv) Departmental Head should review receipt and expenditure performance and take appropriate corrective action each month.

35.3 Status Reports By Financial Delegates

(a) Financial Delegates should prepare Status Reports as often as required by the Departmental Head or at least by the first week of every month for the preceding month and send them to the Departmental Head.

(b) The Status Reports should contain the following information:

	Examples
1. Name and position of Financial Delegate and location	- A. Roger - A/S Finance - Dept. of Trade and Industry
2. Month under report and exact date of status	As of

information.	30/04/98
3. Vote Number	261-3903-1101-112
4. CFC authorisation brought forward from previous month report	K3,000.00
5. Add CFC's received in the month under report (Ref Numbers).	K1,000.00
6. Equals total of funds received for the vote through CFC's.	K4,000.00
7. Total commitments brought forward from previous month's report.	K2,500.00
8. Add Total commitments in the month under report.	K1,000.00
9. Equals total commitments to date.	K3,500.00
10. Unutilized funds (No.6 less No.9)	K 500,00
11. Total payments to date b/forward from previous month's report.	K2,000.00
12. Add payments made during the month.	K1,500.00
13. Equals total payments to date.	K3,500.00
14. Outstanding commitments (No.9 less No.13)	K - NIL

Remarks justifying the need for the unutilised balance.

(c) Departmental Heads should ensure that Status Reports are received regularly from Financial Delegates and that a review of their fund requirements is carried out monthly so that Departmental allocations are put to optimum use before the close of the year. Status Reports also help in estimating the total funds committed but not yet paid and provide an important source of management information and the basis for quarterly budget reviews.

(d) National Government Departments and Provincial and District Treasuries using the standard computerised government accounting system (PGAS) shall produce Expenditure Transaction Summary

Reports to the Departmental Head as an important source of management information for decision making.

35.4 Departmental Review

In addition to checking and verifying the Department of Finance General Ledger, the consolidated monthly status report should be used as the basis of reviewing the Departments overall financial situation. During this review the following should be attended to:

(a) Financial Delegates who are likely to run out of funds should be identified and the reason for this ascertained.

(b) Individual financial delegates who are not controlling their commitment and expenditure properly need to be identified and appropriate action taken. Failure to bring expenditure under control should result in the imposition of surcharge under **Section 102 of the Public Finances (Management) Act, 1995** or penalty for offence under **Section 112 of the Public Finances (Management) Act** or disciplinary action being taken under the **Public Services (Management) Act and General Orders.**

(c) Reasons for under expenditure should be identified and appropriate action taken to ensure that work programs are properly implemented if this is the cause of the under expenditure. It is important to ensure that underspending is not used to cover up over expenditure elsewhere. Programs are included in the budget on the basis of Government priorities and it is the Departmental Heads responsibility to ensure that they are implemented in accordance with the plans.

(d) Transfer of funds between Financial Delegates within Department's warrant authority should be made if considered justified.

(e) Having dealt with the situation relating to expenditure within each item the overall position should be considered. If overall, one item needs more funds, and another item can either be cut back or already has savings, then transfers of funds between items should be considered under the prescribed procedures.

36. Quarterly Reviews:

36.1 Purpose of Quarterly Review

Quarterly budget reviews of the various Government Departments are carried out by Department of Treasury, Budget Division. The purpose of these reviews is to:

(i) Review the progress and performance of Programs/Functions, and Activities/Projects thereunder

(ii) Consider requests for transfers of funds under ***Section 4 of the Appropriation Act****.*

(iii) Consider requests for additional funds from the Secretary's Advance under ***Section 3 of the Appropriation Act****.*

(iv) Identify votes where savings can be achieved in order to meet requests for additional funds or achieve absolute savings.

(v) Identify votes that are likely to be overcommitted and take corrective action.

(vi) Review Cash Flow forecasts.

36.2 Steps to Take When Carrying Out the Quarterly Review

(i) Departments complete standard review forms prescribed by Budget Division.

(ii) Forms submitted to Department of Treasury, Budget Division.

(iii) Review carried out in the discussions held by the Department of Treasury, Budget Division with representatives of each Department. Decisions taken in the review meeting should be communicated to the department.

(iv) Department of Treasury advise the National Planning Committee, National Executive Council and other interested agencies of actual performance compared to planned and budgeted performance.

(v) The Committee review this performance and authorise any corrective action they deem necessary in the form of budget adjustments and revised plans.

37. Review of Commitment and Expenditure:

37.1 In addition to the Quarterly Reviews by the Budget Division, it is necessary to hold meetings with the line agencies and departments to focus on:

(a) over commitments and over expenditures and

(b) outstanding commitments by votes.

These meetings should be arranged by the Expenditure Control Branch of the Budget Division. Discussions should be held on each vote, and the over commitments and over expenditures on a vote should not be netted against savings on other votes. The monthly statements in the General Ledger on over commitments, over expenditure, and outstanding commitments (TMS 650 and 715) are suitable basis for these review meetings. However, help of other statements in the General Ledger may also be sought in the review meetings.

37.2 These meetings should be held as and when required. More meetings will be necessary with departments where over commitments, over expenditures, and outstanding commitments are high.

37.3 The items showing over commitments, over expenditure, and outstanding commitments of each Department should be classified into 2 categories:

(i) Personal Emoluments items processed by Department of Finance.

(ii) Goods and Other services.