

GEORGE MUNICIPALITY

BUDGET IMPLEMENTATION AND MONITORING POLICY

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1. PURPOSE

The objective of the budget policy is to set out:

- a) The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget (MTREF);
- b) The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget;
- c) To control and inform the basis, format and information included in the Budget documentation; and
- d) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

2. BACKGROUND

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

3. OBJECTIVE

The policy sets out the budgeting principles which the municipality will follow in preparing and implementing each annual budget. The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act (MFMA) and Municipal Budget and Reporting Framework in terms of the planning, preparation and approval of the annual and adjustments budgets.

The policy shall apply to all staff and councillors of the municipality that are involved throughout the budget process.

4. DEFINITIONS

"**Accounting officer**" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

“Allocation”, means -

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

“Annual Division of Revenue Act” means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

“Approved budget,” means an annual budget -

- (a) approved by a municipal council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

“Basic Municipal Service” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

“Budget-related Policy” means a policy of a municipality affecting or affected by the annual budget of the municipality, including -

- (a) the tariff policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

“Budget transfer” means transfer of funding within a function/vote subject to limitations.

“Budget Year” means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

“Chief Financial Officer” means a person designated in terms of section 80(2)(a) of the MFMA;

"Councillor" means a member of a municipal council;

"Current year" means the financial year, which has already commenced, but not yet ended;

"Delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"Executive mayor" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"Financial recovery plan" means a plan prepared in terms of section 141 of the MFMA;

"Financial year" means a twelve months period commencing on 1 July and ending on 30 June each year;

"financing agreement" includes any loan agreement, lease, and installment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"Fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"Irregular expenditure", means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned by Council
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"investment/s", in relation to funds of a municipality, means -

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"Local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"Long-term debt" means debt repayable over a period exceeding one year;

"Municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"Municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)

"Municipal service" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"Municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community and includes a surcharge on such tariff.

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"Official", means -

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or

- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"Overspending"-

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"Quarter" means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate -

- (a) projections for each month of -
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

"Unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes -

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, other than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"Virement" refer to the definition of budget transfer **"Vote"**

means -

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

5. REGULATORY FRAMEWORK

Legislation and Policy Strategy Local Municipality is committed to comply with applicable legislation as it pertains to budgeting and financial management and the following examples of pieces of legislation are relevant:

- The Constitution of the Republic of South Africa
- The Municipal Finance Management (Act No. 56 of 2003)
- The Municipal System Act (Act No. 32 of 2000)
- The Municipal Structures (Act No.117 of 1998)
- The Municipal Property Rates (Act 6 of 2004); and
- Other applicable by-laws, ordinance or legislation

National Treasury Practices Notes

Cognisance must be taken of the National Treasury Circulars that may have an impact on the budgeting environment. All National Treasury Circulars will be considered.

6. SCOPE OF APPLICATION

The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget.

The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget.

To establish and maintain procedures to ensure adherence.

Municipality's IDP review and budget processes.

7. RELATIONSHIPS WITH OTHER POLICIES

- o Tariff policy
- o Asset Management
- o Rates Policy
- o Supply Chain Policy

8. ROLE AND RESPONSIBILITIES

Role of the Executive Mayor

The council must maintain oversight over the implementation of the budget policy.

For the purpose of such oversight, the mayor of a municipality must -

- a) Provides political guidance on the priorities to be included in the IDP/Budget proposals and coordinates the annual IDP/Budget process;
- b) Take all reasonable steps to ensure that the municipality performs its constitutional statutory functions within the limits of the municipality's approved budget;
- c) The mayor must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and
- d) Instructs the accounting officer to ensure that the budget is implemented in accordance with the service delivery and budget implementation plan and that the spending of funds and revenue collection proceed in accordance with the budget.

Role of the Accounting Officer (Municipal Manager)

The municipal manager is the accounting officer and the administrative authority for the municipality. In the first instance the municipal manager is accountable to the mayor for the implementation of specific agreed output.

In the second instance the municipal manager is accountable to the council from the overall administration of the municipality. The municipal manager must be fully aware of the reforms required in order to provide the executive mayor, councillors, senior officials with the appropriate guidance and advice on financial and budget issues.

Whilst the municipal manager may delegate many tasks to the chief financial officer or other senior officials, this must be done carefully to ensure that all tasks are completed appropriately in the budget.

Accounting Officer (municipal manager) should implement the municipality's approved budget, including taking all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget.

- a) Ensure that revenue and expenditure are properly monitored.
- b) Ensure that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented.
- c) When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.
- d) Report to the municipal council any shortfalls in budget revenue, overspending and necessary steps taken to prevent shortfalls or overspending.
- e) Submit to the mayor actual revenue, borrowings, expenditure and where necessary report the variances on revenue and the budget.

The Role of Chief Financial Officer (CFO)

The CFO is administratively in charge of the budget and treasury office. The chief financial officer has an essential function in assisting the municipal manager to carry out his or her financial management responsibilities, in areas ranging from budget preparation to reporting and the development and maintenance of internal control procedures.

The CFO plays a central role in implementing the financial reforms at the direction of the municipal manager with assistance of appropriately skilled staff.

The Role of Senior Managers and Other Officials

According to section 78(1) of the MFMA, the following are the role to be carried by the senior managers and other officials:

- a) That the system of financial management and internal control established for the municipality is carried out diligently;
- b) Ensure that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- c) Prevent any unauthorized, irregular or fruitless and wasteful expenditure and other losses;
- d) That all revenue due to the municipality is collected;
- e) That the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained; and
- f) Submission of information to the accounting officer for compliance with the MFMA is timeously.

9. BUDGET PRINCIPLES

The municipality shall ensure that revenue projections in the budget are realistic taking into account actual collection levels. The expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

The municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) which will be reviewed annually and will be approved by Council. The MTREF budget will at all times be within the framework of the Municipal Integrated Development Plan (IDP).

The annual budget will consist of a Capital and Operating Budget which will be discussed below:

Capital Budgets

The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year.

Basis of Calculation

- a) The zero-based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- b) The annual capital budget shall be based on realistically anticipated revenue (capital loans to be taken up will be deemed to be part of this), which should be equal to the anticipated capital expenditure in order to result in a funded budget.
- c) The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being compiled.
- d) In addition, the council shall consider the likely impact of such operational expenses net of any revenues expected to be generated by such item- on future property rates and service tariffs.

Financing

Own Financing Sources

The Council shall establish a Capital Replacement Reserve (CRR) for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following:

- a) Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- b) Further amounts appropriated as contributions in each annual or adjustments budget; and
- c) Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy

Other Finance Sources

The capital budget shall be financed from external sources such as the following:

- a) Grants and subsidies as allocated in the annual Division of Revenue of Act;
- b) Grants and subsidies as allocated by Provincial government;
- c) External Loans;
- d) Private Contributions;

- e) Contributions from the Capital contributions/ charges; and
- f) Any other financing source secured by the local authority.

Process to compile the draft budget

The process to be followed in the compilation of the capital budget is as follows:

The Accounting Officer with the assistance of the Chief Financial Officer and the Director: Development & Planning shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.

The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).

IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework (MTREF) budget and the revision of the annual budget.

Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

The mayor shall convene a strategic workshop with the senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The mayor shall table the IDP priorities with the draft budget to Council.

The Mayor shall table the Draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc.).

The Chief Financial Officer and senior managers undertake the technical preparation of the budget including: -

- Review past performance;
- Prepare initial preview assumptions;
- Analyse past revenue trends and develop initial projections;
- Prepare the IDP and make necessary revisions; and
- Prepare initial budget scenarios: -
 - The budget must be in the prescribed format and must be divided into

capital and operating budget.

- The budget must reflect the realistically expected revenues and expenditure by major source for the budget year concerned.
- Estimated revenue and expenditure by vote for the budget year.

In terms of the MFMA Budget and Reporting Regulations, the Mayor must establish a budget steering committee to provide technical assistance to him/her in discharging his/her responsibilities set out in section 53 of the MFMA.

The Mayor will, on an annual basis, establish a steering committee.

The minimum membership requirements of a budget steering committee as per MFMA are the following:

- Councillor responsible for financial matters;
- Municipal Manager;
- Chief Financial Officer;
- Senior Managers responsible for at least the three largest votes in the municipality;
- The Manager responsible for Budgeting;
- The Manager responsible for Planning;
- Any Technical Experts on Infrastructure.

Consultation with the Portfolio Councillor

- a) The CFO, in conjunction with the Manager: Budget Office, and after consultation with the Portfolio Councillor of Finance sets the realistic growth level of the capital budget to be financed out of own sources (CRR).
- b) The draft capital budget is compiled based on the projects that emanated out of the engagements with the different stakeholders.
- c) The CFO, together with the Manager: Budget Office, engage with the Directors and the IDP Manager in order to determine the priorities for a particular financial year and to determine the ranking of projects based on these priorities.
- d) The draft capital budget is submitted to the Mayoral Committee for their perusal and suggestions.

- e) The draft capital budget is tabled to Council 90 days before the start of the new financial year (31 March).
- f) After the draft budget is approved by Council, it is released for public comment.
- g) Once the comments from the public have been submitted, noted and considered, amendments are made to the draft budget and the budget is tabled to Council for final approval 30 days before the start of the financial year (31 May).

Operational Budget

The operational budget refers to the funds that would be raised in the delivery of basic services, grants & subsidies and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the organization

Basis of Calculation

- a) The incremental approach is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances, the zero-based method will be followed.
- b) The annual operating budget shall be based on realistically anticipated revenue.
- c) An income-based approach shall be used whereby realistically anticipated income is determined first and the level of operating expenditure would be based on the determined income flows.

Financing

The operating budget shall be financed from the following sources:

- a) Service Charges
 - (i) Electricity Charges
 - (ii) Water Sales
 - (iii) Refuse Removal Fees
 - (iv) Sewerage Fees

b) Taxes

Increases in tariffs and rates will as far as possible be limited to inflation plus an additional percentage increase to accommodate the growth of the town.

c) Grants & Subsidies

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organisation.

d) Interest on Investments

The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the organisation.

e) Rental Fees

Income from rental property will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year.

f) Fines

Income from fines will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipts until end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial Services for a particular budget year.

g) Other Income

All other income items will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipts until end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial Services for a particular budget year.

Budget Categories

The following expenditure categories shall be accommodated in the operating budget.

a) Salaries, Wages and Allowances

The salaries and allowances are calculated based on the percentage increases as per the collective agreement between organized labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitations and percentages as determined by the responsible national minister.

- b) **Collection Costs**
It refers to costs attributed to the maintenance of the financial system used for the collection of outstanding amounts and is based on the service level agreement.
- c) **Depreciation**
The above is calculated at cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets.
- d) **Interest External on Borrowings**
The above refers to interest that has to be paid on an external loan taken up by Council. The budget will be determined by the repayments that the municipality is liable for based on the agreements entered into with the other party.
- e) **Bulk Purchases**
The expenditure on bulk purchases shall be determined using the tariffs as stipulated by the Water Boards and NERSA and by any other service provider from time to time.
- f) **Other General Expenditure**
A percentage growth for all other general expenditure will be based on the percentage determined by Financial Services in line with prevailing growth rates, CPI and prior actual expenditure trends.
- g) **Repairs and Maintenance**
The budget of repairs and maintenance shall be based on the increment as determined by Financial Services in conjunction with the needs of the departments in terms of repairing their assets.
- h) **Contributions to Funds**
Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.
- i) **Less: Debited Elsewhere**
This category refers to interdepartmental charges within the organization. The performance of each of line item is analysed whereafter the budget is based on the preceding year's performance.

j) **Appropriations**

Refers to the transfers to- and from the Capital Replacement Reserve, to offset depreciation charges. Appropriations are determined on an annual basis.

Approval of the budget

Council shall consider the next medium-term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).

The council resolution must contain budget policies and performance measures that have to be adopted.

Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance that the budget has not been approved.

Publication of the budget

Within 10 days after the annual budget has been approved, the Municipality must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.

The Chief Financial Officer must within 10 days submit the approved budget in electronic format to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

Pre-Adoption Process

- a) The CFO, in conjunction with the Manager: Budget Office, and after consultation with the Executive Mayor and Portfolio Councillor of Finance set the reasonable growth level of the operational budget based on the current financial performance and the prevailing industry growth levels. (i.e. CPI).
- b) After the income has been determined, an acceptable growth level for the operating expenditure is determined and the draft operating budget is discussed with the relevant Directors for their perusal and comment.
- c) The draft operating budget is compiled based on realistically anticipated revenue resulting from detailed income modelling exercises.
- d) The draft operating budget is submitted to the Mayoral Budget Committee for consideration.
- e) The draft operating budget is tabled to Council 90 days before the start of the new financial year (31 March).

- f) After the draft operating budget is approved by Council, it is released for public comment.
- g) Once the comments from the public have been submitted, same is considered in terms of the MFMA, where after the draft budget is tabled to Council for final approval, at least 30 days before the start of the new financial year (31 May).

Implementation Post Council Approval

- a) After the budget has been approved, the service delivery and budget implementation plan (SDBIP) is compiled.
- b) The SDBIP must be approved Mayor within 14 days after aforementioned approval.
- c) Each director has to indicate the intended spending patterns of both their capital and operating budgets (cash flows).
- d) These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.
- e) The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the directors at the beginning of the year.
- f) Each directorate can use their respective vote numbers as indicated on the capital budget.

10. ADJUSTMENT BUDGET

An adjustments budget will be compiled only once a year if intended adjustments fall in one of the following categories:

- a) To appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- b) To authorise the utilisation of projected savings in one vote towards spending under another vote;
- c) To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council; and

- d) To correct any errors in the annual budget.

The adjustments budget for above mentioned categories will be tabled to Council at any time after the mid-year budget and performance assessment but not later than 28 February of the that financial year.

An adjustments budget will be compiled more than once a year if the intended adjustments fall in one of the following categories:

- a) To adjust the revenue and expenditure downwards if there is material under collection of revenue during the current year.
- b) To appropriate additional revenues from National and Provincial Government that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for.
- c) To authorise unforeseeable and unavoidable expenditure recommended by the Mayor.
- d) To authorize, unauthorised expenditure as anticipated by section 28(2)(g) of the MFMA.
- e) To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council.
- f) To correct any errors in the annual budget.

The adjustments budgets for above mentioned categories will be tabled to Council at the first available opportunity after above mentioned events occurred.

The adjustments budget will be treated in the same manner as the annual budget in terms of calculation and implementation:

- a) The adjustments budget must be approved by council.
- b) Any employee who becomes aware of or suspects the occurrence of unauthorised expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate.
- c) On discovery of alleged unauthorised expenditure, such expenditure must be left in the account i.e. relevant vote and the Accounting Officer or his/her

delegate should record the details of the expenditure in an unauthorised expenditure register.

- d) The Accounting Officer or his/her delegate must investigate the alleged unauthorised expenditure to determine whether the expenditure meets the definition of unauthorised expenditure.
- e) During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.
- f) Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute unauthorised expenditure the details of the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.
- g) If the investigation indicates that the expenditure is in fact unauthorised expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the Mayor.
- h) If council subsequently condones the unauthorised expenditure, the municipality requires no further action as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the unauthorised expenditure was condoned.
- i) If, however, the council does not condone the amount, the accounting officer must take effective and appropriate action to recover the amount from the responsible person.

11. BUDGET VIREMENTATION

Refer to the George Municipality Virement Policy.

12. UNFORESEEN AND UNAVOIDABLE EXPENDITURE

Refer to the George Municipality Irregular, Fruitless and Wasteful Expenditure Policy.

13. BUDGET MONITORING

Monitoring (section 71 of MFMA)

The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take all reasonable steps to ensure that:

- Funds are spent in accordance with the budget;

- Expenses are reduced if expected revenues are less than projected; and
- Revenues and expenses are properly monitored.

Reporting

Monthly budget statements (section 71 of the MFMA)

The Accounting Officer with the assistance of the Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- (i) actual revenues per source, compared with budgeted revenues;
- (ii) Actual expenses per vote, compared with budgeted expenses;
- (iii) Actual capital expenditure per vote, compared with budgeted expenses;
- (iv) Actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- (v) the amount of allocations received, compared with the budgeted amount;
- (vi) Actual expenses against allocations, but excluding expenses in respect of the equitable share;
- (vii) Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- (viii) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- (ix) Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

Quarterly Reports (section 52 of MFMA)

The Executive Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

The quarterly section 52 report must be made public within 5 days after tabling in council in line with section 75 of the MFMA.

The report submitted to National and Provincial Treasury must be both in electronic format and in a signed written document.

Mid-year budget and performance assessment (section 72 and 88 of MFMA)

The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.

The Accounting officer must then submit a report on such assessment by 25 January each year to the Executive Mayor and, Provincial Treasury and National Treasury by 31 January each year.

The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan

14. REVIEW OF POLICY

This policy took effect on <insert date, month, year> (excluding the amended sections for consideration) and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives, good governance, prudent expenditure management and with relevant legislation.

15. SHORT TITLE

This policy shall be called the Budget and Monitoring Policy of the Municipality of George.

As approved by Council at the Council meeting which was held on ... May 2022.

Signed at GEORGE on the ... day of **June 2022**

.....
MUNICIPAL MANAGER

DRAFT