

BUDGET IMPLEMENTATION AND MONITORING POLICY

Item A-F (17-2017) CM 25/05/2017	REVIEWD INTEGRATED DEVELOPMENT PLAN (IDP) AND MEDIUM TERM REVENUE AND EXPENDITURE FRAME WORK (MTREF): 2017/2018 TO 2019/2020
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Resolved:

5. That to guide the implementation of the municipality's annual budget, the Council of the EMM **APPROVES** the policies as set out in the following Annexures of this document:

Annexure D1	Medium-term Budget Policy Statement (reviewed)
Annexure D2	Pricing Policy Statement (reviewed)
Annexure D3	Property Rates Policy (reviewed)
Annexure D4	Provision of Free Basic Electricity Policy (reviewed)
Annexure D5	Waste Management Services Tariff Policy (reviewed)
Annexure D6	Consumer Deposit Policy (reviewed)
Annexure D7	Indigent Policy (reviewed)
Annexure D8	Credit Control & Debt Collection Policy (reviewed)
Annexure D9	Provision for Doubtful Debtors and Debtors Write Off (reviewed)
Annexure D10	Budget Implementation and Monitoring Policy (remains unchanged)
Annexure D11	Municipal Entity Financial Support Policy (reviewed)
Annexure D12	Accounting Policy (reviewed)
Annexure D13	Funding and Reserve Policy (remains unchanged)
Annexure D14	Borrowing Policy (remains unchanged)
Annexure D15	Cash Management Policy (remains unchanged)
Annexure D16	Policy on electricity metering for residential and small business customers in the EMM (reviewed)
Annexure D17	Policy for the Vending of Pre-paid Electricity (reviewed)
Annexure D18	Policy for Correction of Meter Reading and Billing Data (reviewed)
Annexure D19	Electricity Tariff policy (reviewed)
Annexure D20	Virement Policy (remains unchanged)
Annexure D21	Consumer Agreement Policy (reviewed)
Annexure D22	Renewable Energy Revenue Loss Mitigation Policy (unchanged)
Annexure D23	Supply Chain Management Policy (Reviewed)

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BUDGET IMPLEMENTATION AND MONITORING POLICY

1. APPLICATION AND SCOPE

The Budget Implementation and Monitoring Policy are applicable to the City of Ekurhuleni as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company;
- East Rand Water Care Company; and
- Ekurhuleni Development Company, including Pharoe Park, Phase Two and Lethabong Housing Institute.

The policy, **as amended**, will be effective as from 1 July 2015.

2. OBJECTIVES OF POLICY

The purpose of the Budget Management Policy is to provide a framework for the processes and procedures to be followed in the compilation of the annual three-year budgets for both operating and capital expenditure. The framework will serve as a guideline to all departments and municipal entities for the compilation of operational business plans and budgets. This Policy document will be the guiding document when the metro does its reporting to Council and all provincial and national government departments. It is intended that this Policy will enhance compliance with the MFMA.

- To ensure effective budget monitoring;
- To ensure compliance with the MFMA Budget and Reporting Regulations.

This policy deals with the following:

- Budget management and oversight;
- Shifting of funds within votes;
- Introduction of adjustments budget;
- Unforeseen and unavoidable expenditure; and
- Unauthorised expenditure approved by the mayor.

3. LEGISLATIVE FRAMEWORK

The National Treasury issued the Budget Regulations on the 17th April 2009 in Government Gazette number 32141. The regulations came into effect on the 1st July 2009.

The regulations deal with the following matters amongst others:

- Only one main adjustments budget may be considered by Council, but there are a number of exceptions where adjustments budgets can be dealt with:
 - If a national or provincial adjustments budget allocates additional revenue to a municipality;
 - When unforeseeable and unavoidable expenditure is incurred and approved by the mayor;
 - Approval of roll-overs (to be approved before the 25th August annually);
 - Approval of un-authorised expenditure when the Mayor tables the annual report.

- In-year reports must be prepared in the prescribed format;
- The monthly budget statements must be placed on the municipality's website;
- Municipal entities must comply with a similar process as prescribed to municipalities.

4. BACKGROUND

According to the MFMA section 62, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure

- That the resources of the municipality are used effectively, efficiently and economically;
- That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;
- That the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control, and of internal audit operating in accordance with any prescribed norms and standards; and
- That unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

It is against this backdrop that the Metro realised a need for a Budget Management Policy.

The Policy aims to:

- Establish and maintain a Policy framework by which managers can compile, control and review departmental and municipal entities' (MEs) budgets to ensure efficient and effective financial management.
- Ensure that funds are managed carefully and transparently.
- Ensure compliance with the provisions of the MFMA and the MBRR.

The Policy provides guidelines and procedures with regard to:

- Roles and responsibilities of the Executive Mayor, City Manager, Chief Financial Officer and other senior officials
- The compilation of both the operating and capital budget
- Budget monitoring and reporting
- Adjustments budget
- Unavoidable and unforeseen expenditure
- Unauthorised, irregular or fruitless and wasteful expenditure

5. ROLES AND RESPONSIBILITIES

5.1 Role of the Mayor (sections 52-59 MFMA)

The role of the Executive Mayor is detailed in sections 52- 59 of the MFMA. In terms of section 53 of the Act the Mayor of a municipality must-

- 5.1.1 Provide general political guidance over the budget process and the priorities that must guide the preparation of a budget.
- 5.1.2 Coordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purpose of the budget; and

- 5.1.3 Take all reasonable steps to ensure that-
- (a) the municipality approves its annual budget before the start of the budget year;
 - (b) the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget;
 - (c) the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers.
- 5.1.4 Promptly report to the municipal council and the MEC for finance in the province any delay in the tabling of an annual budget, the approval of the service delivery and budget implementation plan or the signing of the annual performance agreements.
- 5.1.5 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
- 5.1.6 The Mayor must ensure-
- (a) that the revenue and expenditure projections for each month and service delivery targets and performance indicators for each quarter, as set out in the SDBIP, are made public no
 - (b) later than 14 days after the approval of the SDBIP; and that the performance agreements of the municipal manager and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's SDBIP. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.
- 5.1.7 Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan.
- 5.1.8 Instructions to the accounting officer to ensure that the budget is implemented in accordance with the service delivery and budget implementation plan and that spending of funds and revenue collection proceed in accordance with the budget.
- 5.1.9 In terms of section 56 of the Act the Mayor must give guidance to the municipality in exercising its rights and powers over MEs in a way-
- (a) that would reasonably ensure that MEs comply with the Act and at all times remain accountable to the municipality;
 - (b) that would not impede the entity from performing its operational responsibilities.
- 5.1.10 In terms of regulation 4(1) of the MBRR, the Mayor must establish a Budget Steering Committee to provide technical assistance with regard to the budget process and related matters. Such a committee must consist of at least the following people:
- (a) MMC for Finance
 - (b) The City Manager
 - (c) The CFO
 - (d) Senior managers responsible for at least the three largest votes in the municipality

- (e) The manager responsible for budgeting
- (f) The manager responsible for planning
- (g) Technical experts on infrastructure

5.2 Role of the Accounting Officer (Municipal Manager)

The Municipal Manager is the accounting officer and the administrative authority for the municipality. The City Manager is accountable to the Executive Mayor for the implementation of specific agreed outputs. The City Manager is also accountable to Council for the overall administration of the municipality.

The City Manager must be fully aware of the reforms required in order to provide the Executive Mayor, councillors, senior officials and municipal entities with the appropriate guidance and advice on financial and budget issues. Whilst the City 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.

The Accounting Officer (City Manager) must-

- 5.2.1 Assist the Mayor in performing the budgetary functions assigned to the Mayor in terms of chapters 4 and 7 of the MFMA;
- 5.2.2 Provide the Mayor with the administrative support, resources and information necessary for the performance of those functions.
- 5.2.3 Implement the municipal's approved budget, including taking all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced if necessary when revenue is anticipated to be less than projected in the budget or SDBIP;
- 5.2.4 Ensure that revenue and expenditure are properly monitored.
- 5.2.5 When necessary, the accounting officer must prepare an adjustments budget and submit it to the Mayor for consideration and tabling in Council.
- 5.2.6 Report to Council any shortfalls in budget revenue, overspending and necessary steps taken to prevent shortfalls or overspending.
- 5.2.7 Submit to the Mayor actual revenue, borrowings, expenditure and where necessary report on variances on the approved budget.
- 5.2.8 By 25 January of each year assess the performance of the municipality during the first half of the financial year, and submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.
- 5.2.9 Such an assessment should take into account the following:
 - (a) The monthly statements referred to in section 71 of the Act for the first half of the financial year;
 - (b) The municipality's service delivery performance during the first half of the financial year, and service delivery targets implementation plan;
 - (c) The past year's annual report, and progress on resolving

- problems identified in the annual report; and
- (d) The performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 of the Act from any such entities.

5.3 Role of the Chief Financial Officer (CFO)

The Chief Financial Officer is the administrative head of the Budget and Treasury Office. The CFO has an essential function of assisting the City Manager to carry out his or her financial management responsibilities, in areas ranging from budget preparation to financial reporting and the development and maintenance of internal control procedures. The CFO plays a central role in implementing financial reforms at the direction of the City Manager with the assistance of appropriately skilled staff.

The CFO of a municipality-

- 5.3.1 is administratively in charge of the Budget and Treasury Office;
- 5.3.2 must advise the accounting officer on the exercise of powers and duties assigned to the accounting officer in terms of the MFMA;
- 5.3.3 must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget;
- 5.3.4 must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79 of the Act; and
- 5.3.5 must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management, review and other duties as may in terms of section 79 be delegated by the accounting officer to the chief financial officer
The CFO is accountable to the accounting officer for the performance of the duties outlined above.

5.4 The role of senior managers and other officials

According to section 78 of the MFMA, the following are the roles to be carried out by the senior managers and other officials:

- 5.4.1 Ensure that the system of financial management and internal controls established for the municipality is carried out diligently.
- 5.4.2 Ensure that resources of the municipality are utilised effectively efficiently, economically and transparently.
- 5.4.3 Prevent unauthorised, irregular or fruitless and wasteful expenditure and other losses.
- 5.4.4 Collection of revenue.
- 5.4.5 Safeguarding and maintenance of assets.

5.4.6 Submission of information to the accounting officer for compliance with the Act.

5.5 Role of the Chief Executive Officer (CEO)

The CEO of a municipal entity is the accounting officer of that entity. Sections 93-107 of the Act detail the roles and responsibilities of the CEO in the following broad categories:

- Fiduciary duties;
- General financial management of the entity;
- Asset and liability management;
- Revenue management;
- Monthly reconciliation of revenue and accounts;
- Expenditure management;
- Budget implementation; and
- Reporting.

6. BUDGET MANAGEMENT AND OVERSIGHT

Section 71(1) of the Municipal Finance Management Act reads, inter alia, as follows:

“The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality’s budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a) *Actual revenue, per revenue source;*
- (b) *actual borrowings;*
- (c) *actual expenditure, per vote;*
- (d) *actual capital expenditure, per vote;*
- (e) *the amount of any allocations received;*
- (f) *actual expenditure on those allocations, excluding expenditure on—*
 - (i) *its share of the local government equitable share; and*
 - (ii) *allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and*
- (g) *when necessary, an explanation of—*
 - (i) *any material variances from the municipality’s projected revenue by source, and from the municipality’s expenditure projections per vote;*
 - (ii) *any material variances from the service delivery and budget implementation plan; and*
 - (iii) *any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality’s approved budget.”*

The Finance Department will facilitate the section 71 in-year reporting process as follows:

- Financial month end reports will be available on the seventh working day of the month;
- Reports detailing the following information will be circulated to the Senior Management Team and heads of departments:
 - Actual Operating Revenue/Expenditure for the month compared to the budget for the month per category;
 - Actual Operating Revenue/ Expenditure for the year to date compared to the budget for the year to date;

- Actual Operating Revenue/Expenditure for the year to date compared to the budget for the full year;
 - Capital Budget Expenditure for the month compared to the budget for the month;
 - Capital Budget Expenditure for the year to date compared to the budget for the year to date;
 - Capital Budget Expenditure for the year to date compared to the budget for the full year;
 - Grant allocations received as well as expenditure against those grants for the year to date;
 - Details of unspent grant funding;
 - Other relevant statistics;
- Monthly financial statements will be compiled;
 - Reports will be submitted to the executive mayor on the 10th working day of each month;
 - A formal report with a full analysis of the financial results will be submitted to the Mayoral Committee on a monthly basis – this report will contain the financial information of the Metro in total with details of the financial performance per department. This report will contain a quality certificate signed by the Accounting officer as required by section 5 of the Municipal Budget and Reporting Regulations;
 - Each head of department will be required to analyse the financial results of his/her department;
 - Automated budget monitoring will be implemented through the blocking of all financial transactions (placing of orders, payments, journals, etc.) unless sufficient budget is available on the relevant line item on the financial system;
 - Salary integration journals will be excluded from the abovementioned process. Financial control on salary payments will be affected through the PEELow/Payday integration and data integrity check process;
 - Any anticipated over-expenditures must be reported to the chief financial officer as soon as it is identified by the relevant head of department;
 - Re-prioritisation of budgets will be allowed to facilitate shifting of funds towards anticipated over-expenditure items as identified above.

6.1 Budget Information Forum

- The purpose of the Budget Information Forum (BIF) are to provide Budget Office (BO) with a broad understanding of what is happening in departments through continuous monitoring and reporting on municipal performance.
- BIF will serve as a recognised working committee of IBALCO and Budget Steering Committee.
- Provide assistance and support to departments in respect of compliance with MFMA thereby promoting the objectives of the Act and all other statutory regulations.
- To monitor, report and clarify any progress, risk and challenges emanating from Sec 71-72 reports, mid-year, IBALCO and Budget Steering Committee assessments.
- To promote alignment and synergy with any existing IGR structures to form
- alignment and integration to avoid any possible duplication with respect to
- functioning and work programmes of such structures.
- The BIF will be used to update the information system with the relevant reports, departmental responses and any other supporting document from the engagement. This will be done in conjunction with the Information Management Directorate.
- Establish needs and support requirements from departments for Finance
- Present on any MFMA Legislative reforms and prescripts

- Share financial management best practices
- Serve as a Mini municipal CFO forum
- The BIF Team will work together to understand the business of the departments within the context of the Municipality as a whole and the changing context within the municipality.
- The BIF Team should be seen as think tank and able to answer on all the questions that can be raised about the Municipality and all departments. The responses should inform any enquiry or assessment of the relevant department for which they are responsible.

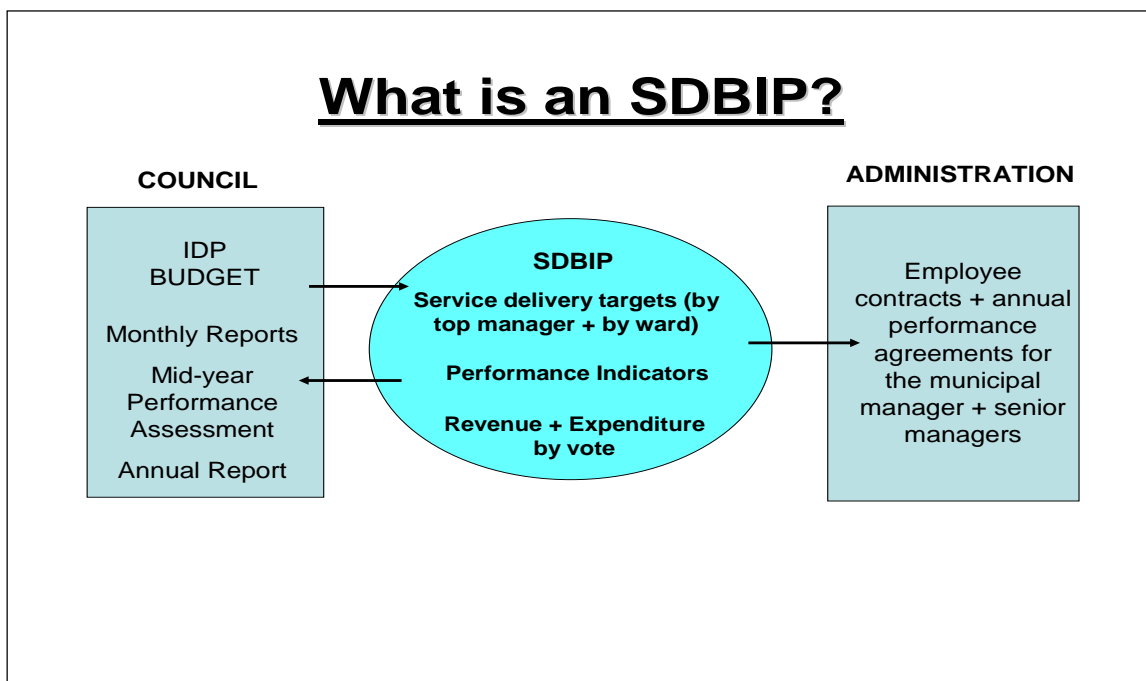
7. SHIFTING OF FUNDS WITHIN VOTES (VIREMENTS)

A separate policy has been compiled and is tabled as Annexure D20 of the Budget Related Policies.

8. INTRODUCTION OF AN ADJUSTMENTS BUDGET

The SDBIP which gives effect to the Integrated Development Plan (IDP) and the municipality's budget as one aligned process in conjunction with the performance agreements of senior managers.

The SDBIP serves as a 'contract' between the administration, council and community expressing the goals and objectives set by council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget. The SDBIP can be summarized visually as follows: ¹



For the SDBIP to be useful, regular reporting is essential. Various progress reports must be submitted to Council for consideration during January of each year. These reports include:

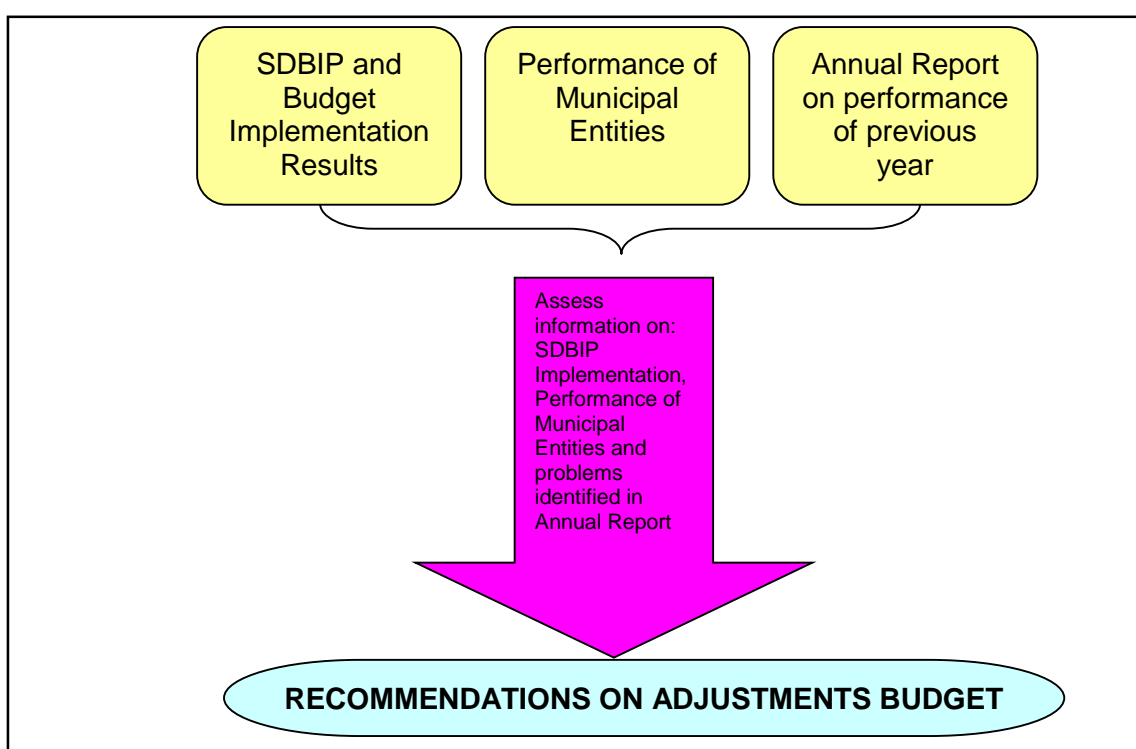
¹ MFMA Circular 13 issued February 2005

The quarterly SDBIP report – Section 52(d) of the MFMA stipulates that the mayor must, within 30 days after the end of each quarter, submit a report to Council on the Implementation of the Budget and the Financial State of Affairs of the municipality.

Mid-year Assessment of the Budget – Section 72 of the MFMA states that the accounting officer must, by the 25th January of each year assess the performance of the municipality during the first half of the financial year taking the monthly financial results, the SDBIP results, the past year’s annual report and the performance of the municipal entities.

Adjustments Budget - Section 72 of the MFMA further states that the accounting officer must, as part of the Mid-Year Assessment of the budget, make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Visually, the process can be summarized as follows:



Only one main adjustments budget may be considered by Council resulting from the mid-year review, but there are a number of exceptions where adjustments budgets can be dealt with:

- If a national or provincial adjustments budget allocates additional revenue to a municipality;
- When unforeseeable and unavoidable expenditure is incurred and approved by the mayor;
- Approval of roll-overs (to be approved before the 25th August annually); and
- Approval of un-authorised expenditure when the mayor tables the annual report.

The annual mid-year review will be performed during January of each year. The main adjustments budget will be commenced with during January, but Council will have the prerogative to deal with the adjustments budget either during January or at the latest February annually.

The adjustments budget will be considered by the Budget Steering Committee prior to it being finally approved by Council.

The Finance Department will facilitate the requests for shifting of funds between votes. All needs identified between July and December annually must be communicated to the Finance department for the preparation of a consolidated report.

Additional allocations to departments will only be considered if actual revenue has significantly exceeded budgeted revenue for the first six months of the year and it is realistically anticipated that the trend will continue for the second half of the year **or** if new revenue not budgeted for has been received **or** if additional national or provincial adjustments budget allocations were made to the municipality.

If any budget amendments result in a change in the SDBIP outcomes, departments will be allowed to submit revised SDBIP's to Council for consideration. A reduction in SDBIP targets as a result of sub-standard performance will not be considered as part of the adjustments budget process.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated where-after departments will be allowed to process financial transactions.

Adjustments budgets other than the main adjustments budget resulting from the mid-year review will be considered as follows:

Approval of roll-overs (to be approved before the 25th August annually)

Projects funded from Provincial or National Government Grants, or other externally funded sources where projects were scheduled for completion by 30 June annually, but, due to unforeseen delays are not completed by 30 June and no provision for completion of the projects were made in the annual budget, will be considered for roll-overs.

For projects to be considered, the following conditions must be met:

Externally Funded Projects

- Funding must have been received, or a legally binding written commitment for funding to be transferred must have been received;
- National and/or Provincial government must have approved the rollover of the funding in terms of the conditions of the Division of Revenue Act (i.e. no surrendering of funds applicable); and
- Projects must have been committed and/or commenced with.

Internally Funded Projects

- In cases where under spending on a specific project is known before Council will be considering the budget for the next financial year, the amount of the under spending on the project be provided as a roll-over (additional funding) on the budget of the next financial year, provided the following conditions are met:
 - The under spending remains a saving in the first financial year upon conclusion of the annual financial statements;
 - The project is funded from external loans; and
 - The external loans of the next financial year are not reduced and the total loans as per the MTEF are taken up.

- In cases where the under spending on a specific project was not known at the time when the budget for the next financial year was considered by Council, the under spending be approved as a roll over (additional funding) and be approved by Council before the 25th of August of the following financial year, provided the following conditions are met:
 - The under spending remains a saving in the first financial year upon conclusion of the annual financial statements;
 - The project is funded from external loans; and
 - The external loans of the next financial year are not reduced and the total loans as per the MTEF are taken up.

- That in both cases mentioned above, the department will have to submit prove to the satisfaction of the Enterprise Programme Management Section that a realistic project plan and cash flow forecast was in place at the start of the financial year and that the under spending was caused by unforeseen circumstances that emerged after the conclusion of the budget.

The chief financial officer will, annually during July, allow departments the opportunity to submit requests for budget adjustments where the above conditions are met.

An adjustments budget will be submitted to Council for consideration at the August council meeting.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated where-after departments will be allowed to process financial transactions.

If a national or provincial adjustments budget allocates additional revenue to a municipality

Additional allocations made to the municipality resulting from a National or Provincial adjustments budget will be dealt with in an adjustments budget.

For an adjustments budget to be considered, the following conditions must be met:

- Funding must have been received, or gazetted in an amended Division of Revenue Act.
- Projects must be able to be completed by the end of the financial year, or funding must be available for use after the financial year in terms of the conditions of the Division of Revenue Act.

The chief financial officer will annually, after the Provincial or National adjustments budgets are announced, allow departments the opportunity to submit requests for budget adjustments where the above conditions are met.

An adjustments budget will be submitted to Council for consideration at the next council meeting.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated where-after departments will be allowed to process financial transactions.

9. UNFORESEEABLE AND UNAVOIDABLE EXPENDITURE IS INCURRED AND APPROVED BY THE MAYOR

The MFMA Budget and Reporting Regulations prescribe the process to be followed for the approval of unforeseeable and unavoidable expenditure.

Unforeseen and unavoidable expenditure are expenditure that:

- Could not have been foreseen at the time the annual budget of the municipality was passed;
- The delay that will be caused by a pending adjustments budget may:
 - Result in significant financial loss for the municipality;
 - Cause a disruption or suspension or serious threat to the continuation of municipal services;
 - Lead to loss of life or serious injury or significant damage to property; and
 - Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

No unavoidable expenditure exceeding R15 million may be approved during a financial year.

Any department becoming aware of the need to incur unforeseen or unavoidable expenditure must immediately approach the Chief Financial Officer with the full details on the unforeseen expenditure, providing information on the consequences of not incurring the expenditure as well as an indication of the expected cost (both for the current year as well as any recurring cost resulting from the event). A confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 73(2) of the MFMA Budget and Reporting Regulations must be given by the department when approaching the CFO.

The CFO will determine whether the cost cannot be dealt with through a process of shifting of funds within the relevant votes. If sufficient funds are available for shifting within the vote, the shifting of funds process will be followed. If not, the matter will be reported to the city manager for consideration as unforeseen and unavoidable expenditure.

Once the city manager has granted approval, the relevant head of department will be authorised to submit a report to the executive mayor requesting approval. If approval is granted, the Venus financial system will be adjusted to allow the department to process the financial transaction.

The abovementioned process will be dealt with as highest priority to ensure that administrative delays do not exacerbate the situation.

An adjustments budget will be submitted to the next Council meeting. The preferred process would be to shift funds between votes to avoid any negative impact on the total cash position of council.

10. APPROVAL OF UN-AUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE WHEN THE MAYOR TABLES THE ANNUAL REPORT

The MFMA defines unauthorised, irregular or fruitless and wasteful expenditure as follows:

***“unauthorised expenditure”**, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), 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, otherwise 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 this Act;

***“irregular expenditure”**, in relation to a municipality or municipal entity, means-*

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(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 “unauthorised expenditure”;

***“fruitless and wasteful expenditure”** means expenditure that was made in vain and would have been avoided had reasonable care been exercised;*

Any unauthorised, irregular or fruitless and wasteful expenditure as defined above must be disclosed in the Annual Financial Statements by the Chief Financial Officer.

The Accounting Officer will investigate all cases of unauthorised, irregular or fruitless and wasteful expenditure as disclosed in the Annual Financial Statements and report his findings to the Municipal Public Accounts Committee (MPAC). MPAC must consider the report of the Accounting Officer. The following requirements for recovering of cost must be considered:

Section 32 of the MFMA:

- 32(1)** *Without limiting liability in terms of the common law or other legislation—*
- (a) a political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;*
 - (b) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);*
 - (c) any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or*
 - (d) any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.*
- (2)** *A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—*
- (a) in the case of unauthorised expenditure, is—*
 - (i) authorised in an adjustments budget; or*
 - (ii) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and*
 - (b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.*
- (3)** *If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.”*

The Municipal Public Accounts Committee will submit a report to Council where after the unauthorised, irregular or fruitless and wasteful expenditure will be considered for approval, recovery of cost, write-off with or without disciplinary and/or criminal proceedings.

The accounting officer must ensure compliance with the MFMA reporting requirements in respect of unauthorised, irregular or fruitless and wasteful expenditure, including criminal proceedings where applicable.

11. MONITORING AND REPORTING

- 11.1 As from 01 July 2009 internal and external reporting will be done in accordance with the prescribed formats in the MBRR.
- 11.2 When MEs submit their budget statements to the City Manager, they must also submit a copy of the statement no later than seven working days after the end of the month to-
 - (a) the chairperson of the Board of Directors
 - (b) other municipalities affected by the entity's annual budget
 - (c) any other organ of state, on request
- 11.3 Tabling in Council of the mid- year budget and performance assessment

report of the City must include mid- year budget and performance assessment reports of all MEs.

- 11.4 In terms of regulation 5 of the MBRR, whenever an annual budget and its Supporting documentation, an adjustment budget and its supporting documentation or an in-year report of the City is submitted to the Mayor, Council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A, B or C, as the case may be, and signed by the City Manager.
- 11.5 Regulation 36 of the MBRR requires that, whenever an annual budget and supporting documentation, an adjustment budget and supporting documentation, or directors or parent municipality, tabled in the Council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule D, E or F, as the case be, signed by the CEO.

12. NON- COMPLIANCE

- 12.1 Regulations 60- 70 of the MBRR prescribes matters dealing with non- compliance by municipalities and MEs with time lines and deadlines concerning annual budgets, adjustments budget and in- year reports.
- 12.2 In an event that the Metro or a ME fails to comply with the timelines and Deadlines concerning annual budgets, adjustments budget or in- year reports, an application must be lodged in the format prescribed by the regulations.

13. COORDINATION AND CONSOLIDATION

- 13.1 Budget Office will coordinate and consolidate all submissions by departments and MEs to Council, on budgets and related issues covered in this Policy.
- 13.2 Budget Office will from time to time issue out formats and guidelines to all departments and MEs on budgets and related matters covered in this Policy.

14. IMPLEMENTATION AND REVIEW

- 14.1 This Policy shall be implemented once approved by Council.
- 14.2 In terms of section 17(3) (e) of the MFMA, this Policy must be reviewed on an Annual basis and any proposed arguments or amendments tabled to Council for consideration and approval.

15. OTHER RELEVANT DOCUMENTS

- 15.1 This Policy must be read in conjunction with any applicable delegation of powers to the MMC: Finance and the CFO relating to the management of the budget of the City.

