
ELUNDINI MUNICIPALITY

BUDGET MONITORING POLICY

Whereas the mayor, in terms of section 52 of the Municipal Finance Management Act No. 56 of 2003 (the Act), must provide general political guidance over the fiscal and financial affairs of the municipality and, in providing such general political guidance, may monitor and, to the extent provided in this Act, oversee the exercise of the responsibilities assigned in terms thereof to the accounting officer and the chief financial officer.

Whereas the object of the Act is to secure sound and sustainable management of the financial affairs of municipalities by establishing norms and standards and other requirements for, inter alia -

- (a) ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities;
- (b) the management of their revenues, expenditures, assets and liabilities and the handling of their financial dealings;
- (c) budgetary and financial planning processes and the co-ordination of those processes with the processes of organs of state in other spheres of government.

And whereas section 15 of the Act provides that a municipality may, except where otherwise provided in this Act, incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.

And whereas the council has a statutory obligation, though it's appointed political structures, to monitor and oversee the effective implementation of its approved budgets in order to prevent over and unauthorised expenditure, promote and ensure effective and sustainable service delivery and comply with prescribed standards and norms, the council adopts this policy.

1. In this policy, unless the context indicates otherwise, any reference to the:

“**Act**” shall mean the Municipal Finance Management Act No. 56 of 2003;

The “**Regulations**” shall mean the Municipal Budget and Reporting Regulations published in Government Gazette 32141 dated 17 April 2009;

The “**accounting officer**” shall mean the municipal manager.

“**In-year reports**” means -

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- (i) a monthly budget statement of the municipality contemplated in section 71 (1) of the Act;
 - (ii) a quarterly report on the implementation of the budget and financial state of affairs of the municipality contemplated in section 52(d) of the Act; or
 - (iii) a mid-year budget and performance assessment of the municipality contemplated in section 72 of the Act;

The “**Minister**” shall mean the national cabinet minister responsible for finance.

2. In terms of section 69 of the Act, the accounting officer is responsible for implementing the approved budget and he/she must take reasonable steps to ensure that:
 - 2.1 funds are spent in accordance with such budget;
 - 2.2 expenses are reduced if expected revenues are less than projected; and
 - 2.3 revenues and expenses are properly monitored.
3. The accounting officer must prepare any adjustments budget when such budget is necessary and submit it to the mayor for consideration and tabling in a meeting of the council.
4. The accounting officer must submit a draft service delivery and budget implementation plan to the mayor not later than fourteen days after the annual budget has been approved, and must also, within the same period, submit drafts of the annual performance agreements in respect of him or herself and all managers directly accountable to him/her to the mayor.
5. The accounting officer must report in writing to the council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.
6. The accounting officer must, not later than ten working days after the end of each calendar month, submit to the mayor and provincial treasury a statement 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.

The above statement must reflect the following:

- 6.1** actual revenues per source, compared with budgeted revenues;
 - 6.2** actual expenses per vote, compared with budgeted expenses;
 - 6.3** actual capital expenditure per vote, compared with budgeted expenses;
 - 6.4** actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - 6.5** the amount of allocations received, compared with the budgeted amount;
 - 6.6** actual expenses against allocations, but excluding expenses in respect of the equitable share;
 - 6.7** 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;
 - 6.8** the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - 6.9** 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.
- 7.** The monthly budget statement referred to in paragraph 6 must be in the format specified in Schedule C to the Regulations and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister of Finance in terms of section 168(1) of the Act.
 - 8.** The accounting officer shall place the monthly budget statement referred to in paragraph 6 on the municipality's website.
 - 9.** The accounting officer must also publish on the municipality's website any other information that the council considers appropriate to facilitate public awareness of the monthly budget statement, including -
 - (a)** summaries thereof in alternate languages predominant in the community; and

- (b)** information relevant to each ward in the municipality.
- 10.** Upon receipt of the monthly budget statement referred to in paragraph 6, the mayor must:
 - 10.1** consider the statement;
 - 10.2** check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
 - 10.3** issue appropriate instructions to the accounting officer to ensure that the budget is implemented in accordance with this plan and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
 - 10.4** identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and
 - 10.5** submit to the 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 budget report).
- 11.** The report referred to in paragraph 10.5 must be-
 - (a)** in the format specified in Schedule C to the Regulations and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and
 - (b)** be consistent with the monthly budget statements for September, December, March and June as applicable; and
 - (c)** be submitted to the national treasury and the eastern cape provincial treasury within five days of the tabling of such report in a meeting of the council.
- 12.** The accounting officer publish the report referred to in paragraph 10.5 on the website of the municipality and also make public any other information that the council considers appropriate to facilitate public awareness of the said quarterly report including -
 - (a)** summaries of quarterly reports in alternate languages predominant in the community; and
 - (b)** information relevant to each ward in the municipality.

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- 13.** The accounting officer must, before 31 January in every year, 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 past financial year's annual report and the progress made in resolving problems identified in such report.
 - 14.** The statement referred to in paragraph 6 for the sixth month of a financial year may be incorporated into the report referred to in 16.
 - 15.** The accounting officer must, as part of the assessment and review referred to in 13:

 - 15.1** make recommendations as to whether an adjustments budget is necessary; and
 - 15.2** recommend revised projections for revenue and expenditure to the extent that this may be necessary.
 - 16.** The accounting officer must submit a report on assessment referred to in paragraph 13 to the mayor, the national and provincial treasuries. This assessment must be in the format specified in Schedule C of the Regulations and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.
 - 17.** The report referred to in paragraph 16 must be submitted to the national and provincial treasuries in both printed and electronic form together any such additional information as may be required by national treasury by the 25 January of each year.
 - 18.** Within five working days of 25 January each year, the accounting officer must make the mid-year budget and performance assessment report referred to in paragraph 16 public by placing it on the municipal website. In addition, he/she must make public any other information that the council considers appropriate to facilitate public awareness of the assessment, including -

 - (a)** summaries in alternate languages predominant in the community; and
 - (b)** information relevant to each ward in the municipality.
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- 19.** On receipt of the report submitted by the accounting officer, the mayor must;
- 19.1** consider the report;
 - 19.2** check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
 - 19.3** consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;
 - 19.4** issue any appropriate instructions to the accounting officer to ensure:
 - 19.4.1** that the budget is implemented in accordance with the service delivery and budget implementation plan; and
 - 19.4.2** that spending of funds and revenue collection proceed in accordance with the budget;
 - 19.5** identify any financial problems facing the municipality, including any emerging or impending financial problems; and
 - 19.6** promptly submit the report to the council for consideration.
- 20.** If the municipality faces any serious financial problems, the mayor must:
- 20.1** promptly respond to and initiate the remedial or corrective steps as proposed by the accounting officer; and
 - 20.2** alert the MEC for Local Government and the council to the problems concerned.
- 21.** The mayor may, when such action is necessary, revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

- 22.** The accounting officer must notify the mayor, the MEC for finance and the national treasury of any failure by him or her to comply with a regulatory reporting time provision.
- 23.** A notification in terms of paragraph 22 must-
- (a)** be in the format contained in Schedule G to the regulations;
 - (b)** be signed and dated by the accounting officer;
 - (c)** contain information on -
 - (i)** the specific time provision which has not been complied with;
 - (ii)** the specific date by which the municipality will remedy the non-compliance;
 - (iii)** the reason why the relevant time provision was not complied with;
 - (iv)** any implications on the finances, performance, governance and accountability arrangements in the municipality that will be affected by the delay in meeting the time limit or deadline concerned and the measures taken to address such implications;
 - (v)** the steps the municipality will take to ensure compliance with the relevant time provision in future; and
 - (vi)** a list of non-compliance with time provisions by the municipality and its office-bearers in the previous three financial years.
- 24.** The mayor must table a copy of any notification referred to in paragraph 23 at the first meeting of the council following the receipt of the notification concerned.
- 25.** A deliberate or negligent failure by the accounting officer to comply with this policy and the relevant provisions of the Act and the Regulations may constitute an act of financial misconduct which shall be addressed by the council in terms of the applicable provisions of the Act.