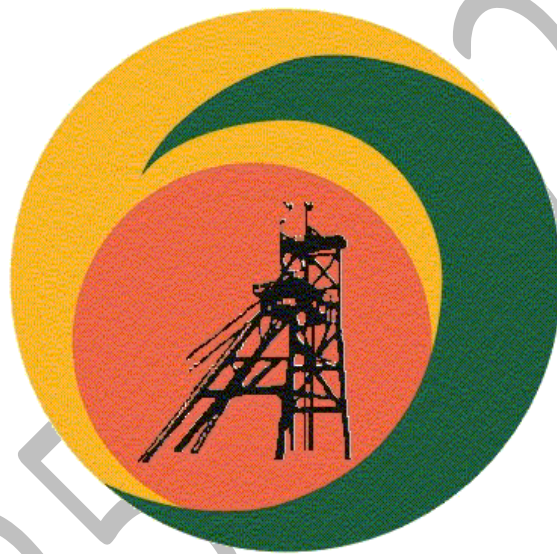


WEST RAND DISTRICT MUNICIPALITY



UNFORESEEN AND UNAVOIDABLE EXPENDITURE POLICY

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1. DEFINITION AND ABBREVIATIONS

“Policy” means the declared objectives that the West Rand District Municipality (WRDM) seeks to achieve and preserve in the interest of community. It is a basic principle by which the WRDM is guided.

“Unforeseen and Unavoidable Expenditure” means expenditure that could not have been foreseen at the time the annual budget of the WRDM was approved and adopted. The unavoidable relates to expenditure that if not incurred, will affect the performance of the WRDM.

“MFMA” means the Local Government Municipal Finance Management Act, No 56 of 2003.

“MBRR” means the Municipal Budget and Reporting Regulations, as published under General Notice 393 in Government Gazette 32141 of 17 April 2009.

“Municipality” means the West Rand District Municipality (WRDM).

“IDP” means the Integrated Development Plan.

2. INTRODUCTION

Desired outcome: This policy will help and guide the WRDM in addressing unauthorized, irregular or fruitless and wasteful expenditure which may occur at given time.

Strategic Intent: The IDP outlines one of the key priorities is to ensure financial prudence, with clean audits by the Auditor-General.

3. PROBLEM STATEMENT

The purpose of this policy is to make provision for the consideration and approval of any unforeseen and unavoidable expenditure that might occur; and prescribes the process to be followed for the approval of unforeseen and unavoidable expenditure.

4. DESIRED OUTCOME

This policy will help and guide the municipality in addressing unforeseen and unavoidable expenditure which may occur at any given time during the financial year.

5. STRATEGIC INTENT

The IDP outlines one of the strategic focus areas as achievement of Unqualified Audit Opinion without Matters. The municipality's goal is to ensure financial prudence with an Unqualified Audit Opinion without Matters by the Auditor General of South Africa (AGSA)

6. ROLE PLAYERS / STAKEHOLDERS

The following role players and stakeholders will ensure that unforeseen and unavoidable expenditure is being dealt with according to legislative requirements and council policy.

- 6.1 The Department (the department responsible for proposed expenditure) is responsible to prepare a report, reporting the unforeseen and unavoidable expenditure that affect the effectiveness, efficient and economic resources of the municipality;
- 6.2 The Legal and Logistical Services Division with the Department Corporate Services is responsible for legal comments and inputs in order to confirm any legal implications which may occur;
- 6.3 The Budget and Treasury Office (BTO) is responsible to check the report and confirm the financial implications before the report is submitted to the Municipal Manager;
- 6.4 The Accounting Officer (Municipal Manager) is responsible for the submission of the report to the Executive Mayor;
- 6.5 The Executive Mayor is responsible to consider the report and approve with amendments where applicable, the unforeseen and unavoidable expenditure; and
- 6.6 The Council is responsible to ratify the approval of the unforeseen and unavoidable expenditure as contained in the report that has been approved by the Executive Mayor.

7. GUIDING PRINCIPLES

- 7.1 Any Department that becomes aware of the need to incur unforeseen and unavoidable expenditure must immediately approach the Accounting Officer (Municipal Manager) with the full details of such possible expenditure, supporting information of 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);
- 7.2 A confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 71(2)(a) of the Municipal Budget and Reporting Regulations, must be provided by the Department when approaching the Municipal Manager;
- 7.3 The Municipal Manager will determine whether the cost cannot be dealt with through the process of a Virement of funds within the relevant votes. If sufficient funds are available for shifting within a vote, the shifting of funds process will be instituted as informed by the Virement Policy;
- 7.4 Once the Municipal Manager is convinced of the need by the Department that an unforeseen and unavoidable expenditure must be incurred, the process of 6 (six) above will be followed;

- 7.5 The abovementioned process will be dealt with as highest priority to ensure that administrative delays do not exacerbate the situation; and
- 7.6 The correction on the Department budget will be corrected through the Adjustment Budget provision of MFMA Section 28.

8. REGULATORY CONTEXT

This policy is formulated in terms of the provisions of section 29 of the MFMA and Regulations 71 and 72 of the MBRR.

9. POLICY DIRECTIVE DETAILS

- 9.1 The Executive Mayor of the Municipality may in emergency or other exceptional circumstances authorize unforeseen and unavoidable expenditure for which no provision was made in an approved / adopted budget;
- 9.2 Any such expenditure:
- a) Must be in accordance with the framework that may be prescribed;
 - b) May not exceed a prescribed percentage of the approved/adopted budget in terms of Regulation 72(a) of the MBRR; read in conjunction with MFMA Section 29;
 - c) Must be reported by the Executive Mayor to the Municipal Council at its next meeting;
 - d) Must be appropriated in an Adjustment Budget (MFMA Section 28); and
 - e) Such Adjustment Budget will be tabled in February of every financial year for expenditure that were incurred between 1 July to February, whereas, those that were incurred between March and June, the Adjustment Budget will be considered on or before 30 June of every financial year.

10. AUTHORISATION OF UNFORESEEN AND UNAVOIDABLE EXPENDITURE

- 10.1 In terms of MBRR Regulations 71 and 72, the Executive Mayor may authorize expenditure in terms of the MFMA Section 29 only if
- a) the expenditure could not have been foreseen at the time the annual budget of the municipality was approved / adopted; and
 - b) the delay that will be caused pending approval of an adjustments budget by the Municipal Council in terms of paragraph 8.2 above, to authorize the expenditure may:
 - i) result in significant financial loss for the municipality;
 - ii) cause a disruption or suspension or serious threat to the continuation of municipal services;
 - iii) lead to loss of life or serious injury or significant damage to property; and
 - iv) obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
- 10.2 The Executive Mayor may not authorize expenditure in terms of MFMA Section 29 if the expenditure –
- a) was considered by the Council, but not approved in the annual budget of the municipality; and
 - b) is required for –
 - i) price increases of goods and services during the year;
 - ii) new municipal services or functions during the financial year;

- iii) the extension of existing municipal services or functions during the financial year; and
 - iv) the appointment of personnel during the financial year; and
 - v) allocating discretionary appropriators to any vote during the financial year.
- c) would contravene any existing Council Policy; and
- d) is intended to rectify irregular or fruitless and wasteful expenditure.

10.3 Monetary limits on unforeseen and unavoidable expenditure –

- a) the amount of expenditure that the Executive Mayor of a municipality may authorise in terms of MFMA Section 29 is limited to 5% of the municipality's own revenue in the case of municipality with approved total revenue in its current annual budget not exceeding R250 million.
- b) the greater of R5 million or 4% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget greater than R250 million but not exceeding R500 million; and
- c) R15 million in the case of a municipality with approved total revenue in its current annual budget greater than R500 million

11. IMPLEMENTATION, EVALUATION AND REVIEW

This policy framework is important for the financial compliance of the WRDM. It provides for an all-inclusive administrative procedure for the management of unforeseen and unavoidable expenditure.

- 11.1 This policy will come into effect upon approval by the Municipal Council;
- 11.2 The BTO is responsible to check whether the report meets all the requirements before its submitted to the Executive Mayor by the Municipal Manager;
- 11.3 In terms of MFMA Section 17(3)(e), this policy must be reviewed on an annual basis and the reviewed policy tabled to the Municipal Council for approval as part of the budget process; and
- 11.4 Changes in legislation must be taken into account for future amendments to this policy.