KOUGA LOCAL MUNICIPALITY

KOUGA
local municipality
Good Governance through Service Excellence

Draft

BUDGET VERIFICATION POLICY

Index

1. <u>Definitions</u>

"Approved budget" means an annual budget approved by a municipal council.

"Budget-related policy" means a policy of a municipality affecting or affected by the annual budget of the municipality.

"Budget verification" means a process of checking the accuracy and completeness of budget request on the requisition form. This involves checking the budget availability and ensuring that the correct ukey number aligns with the goods and services purchased and complies with the mSCOA reporting requirements. Its an essential step in budget control to help avoid overspending and misclassification of expenditure.

"Capital budget" this is the estimated amount for capital items in each fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over several fiscal periods.

"Council" means the council of a municipality referred to in section 18 of the Municipal Structures Act.

"Financial year" means a 12- month year ending on 30 June.

"Line item" an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures.

"mSCOA" stands for "Municipal Standard Chart of Accounts" and provides a uniform and standardised financial transaction classification framework. This means that mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting.

"Operating budget" is an estimate of the operating revenues which will accrue to the municipality through its normal service delivery and the expenditure that will be incurred through the day-to-day operations of the municipality over the financial year.

"Virement" is the process of transferring an approved budget allocation from one operating line item to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

2. Abbreviations

MFMA- Municipal Finance Management Act
mSCOA – Municipal Standard Chart of Accounts
GRAP – Generally Recognised Accounting Practices
SCM – Supply Chain Management
BTO – Budget and Treasury Office

3. Objective

The objective of this policy is to ensure the accuracy, completeness, and reliability of the municipality's budget through systematic verification procedures. This involves compliance with the mSCOA / GRAP reporting requirements and ensuring that there are sufficient funds available in a budget line item.

4. Scope

This policy applies to all departments and types of budgets, including operational and capital budgets.

5. Verification Procedures

a) All requisition forms and supporting documentation must be submitted to the Budget & Treasury Office for budget verification, prior to being submitted to the SCM for processing.
b) All requisition forms must be fully completed e.g. ukey number(s) must be provided and signed by the authorised representative.
c) All requisition forms will be verified for accuracy of ukey number provided, in line with the goods and services to be purchased, budget availability and the compliance with the mSCOA / GRAP reporting requirements by the BTO.
d) All verified requisition forms must be signed and stamped by the BTO.
e) No unverified requisition forms will be processed by the SCM.
f) All verified requisition forms will only be valid for the day of verification, if the verified requisition form(s) are not processed by SCM in that day, a new budget verification must be requested from the BTO.
g) No budget verification will be allowed without a complete requisition form.
h) One budget verification cannot be used for multiple requisition forms.
i) In case of requisition forms for goods and services without an approved budget provision or insufficient funds, a budget virement must be made in accordance with the approved virement policy.

j) Requisition forms for capital projects/or conditional grants funded capital projects, must reflect the correct project name or SCM tender number.
k) For internally funded capital expenditure such as furniture and computer equipment, once a budget verification is issued by BTO, the requisition form must be sent to the Assets Department for asset stamp.

6. <u>Roles and Responsibilities</u>

The roles and responsibilities of the municipality's officials are summarised as follows:

6.1. **Manager Budget & Treasury:** Oversees the verification process and ensures compliance with the policy.

6.2. **Departmental Heads**: Ensure that all requisition forms are authorised and have sufficient supporting documentation for budget verification.

6.3. **BTO Team:** Verify requisition forms for accuracy, completeness, check budget availability and compliance with the mSCOA / GRAP reporting requirements.

7. <u>Reporting and Documentation</u>

a) BTO will maintain records of all verification checks performed.
b) Report any discrepancies or issues to the Manager: Budget & Treasury for resolution.
c) Report monthly on the budget vs actuals to the Directorates.

8. <u>Review and Update</u>

The policy will be reviewed annually in line with the budget-related policies' review as required in terms of Section 21 of the MFMA.