

MANDENI LOCAL MUNICIPALITY



DRAFT EXPENDITURE MANAGEMENT POLICY 2022/2023

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1. DEFINITIONS

1.1 "**Accounting Officer**" means the Municipal Manager;

1.2 "**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;

1.3 "**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;

1.4 "**Budget-related Policy**" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

- (a) the tariffs 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;

- 1.5 **"Budget transfer"** means transfer of funding within a function / vote.
- 1.6 **"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;
- 1.7 **"Chief financial officer"** means a person designated in terms of section 80(2) (a) of the MFMA;
- 1.8 **"Councilor"** means a member of a municipal council;
- 1.9 **"Creditor"** means a person to whom money is owed by the municipality;
- 1.10 **"Current year"** means the financial year, which has already commenced, but not yet ended;
- 1.11 **"Delegation"** in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;
- 1.12 **"Financial recovery plan"** means a plan prepared in terms of section 141 of the MFMA
- 1.13 **"Financial statements"** means statement consisting of at least
- (a) a statement of financial position;
 - (b) a statement of financial performance;
 - (c) a cash - flow statement ;
 - (d) any other statements that may be prescribed; and
 - (e) any notes to these statements;
- 1.14 **"Financial year"** means a twelve months period commencing on 1 July and ending on 30

1.15 "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;

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

1.17 "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 Act, and which has not been condoned in terms of section 170 of the MFMA;
- (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";

1.18 "Investment" 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;

- 1.19 "Lender"** means a person who provides debt finance to a municipality;
- 1.20 "Local community"** has the meaning assigned to it in section 1 of the Municipal Systems Act;
- 1.21 "Municipal Finance Management Act (MFMA) means the: Municipal Finance management Act, 2003 (Act 56 of 2003);**
- 1.22 "Municipal Structures Act"** means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 1.23 "Municipal Systems Act"** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);
- 1.24 "Long-term debt"** means debt repayable over a period exceeding one year;
- 1.25 "Mayor"** means the councilor elected as the mayor of the municipality in terms of section 55 of the Municipal Structures Act;
- 1.26 "Municipal council" or "council"** means the council of a municipality referred to in section 18 of the Municipal Structures Act;
- 1.27 "Municipal debt instrument"** means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;
- 1.28 "Municipal entity"** has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);
- 1.29 "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);
- 1.30 "Accounting manager"** means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

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

1.32 "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;

1.33 "Municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

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

1.35 "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;

1.36 "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;

1.37 "Past financial year" means the financial year preceding the current year;

"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;

1.41 "Service delivery and budget implementation plan" means a detailed plan approved by the 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
The mayor in terms of section 54(l) (c) of the MFMA;

1.42 "Short-term debt" means debt repayable over a period not exceeding one year;

1.43 "Standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

1.44 "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, 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 the MFMA;

1.45 "Virement" means the power to transfer funds between functions / votes.

1.46 "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.

2. STATUTORY FRAMEWORK

The following legislation is relevant to the municipal expenditure policy:

- (a) Municipal Finance Management Act, specifically sections 15, 18-19, 29-33, 65, and 99.
- (b) The systems Act
- (c) The National Treasury Guidelines and prescribed formats

In terms of section 13 (1) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) (MFMA) the Minister of Finance may prescribe a framework within which the Municipality must conduct its cash management. Section 13 (2) of the MFMA requires that the Municipality must establish an appropriate and effective cash management policy, which must comply with the framework prescribed by the Minister.

The Municipality must, when it approves the annual budget for each year, also approve a cash flow projection for the year by revenue source broken down per month in terms of section 17(3) (c) of the MFMA, The Municipality service-delivery and budget implementation plan (SDBIP) must contain revenue and expenditure projections for each month as required by section 53 (3) (a) of the MFMA. The Municipal Manager must ensure, in terms of section 54 (1) (d) of the MFMA that spending of funds and revenue collection proceed according to the budget.

The Municipal Manager must in terms of section 65 (2) of the MFMA for the purpose of giving account of the discharge of her/his responsibilities in respect of expenditure management take all reasonable steps to ensure:-

- (a) that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
- (b) that the Municipality has and maintains a management, accounting and information system which recognises expenditure when it is incurred, and which accounts for creditors of and payments made by the municipality;
- (c) that the Municipality has and maintains a system of internal control in respect of creditors and payments;
- (d) that payments by the Municipality are made directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed and either electronically or by direct deposit. No cash payments, payments by way of non-transferable cheques or cash cheques may be made.
- (e) that all money owing by the Municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise by the Minister of Finance in terms of a regulation for certain categories of expenditure;
- (f) That the Municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
- (g) that any dispute concerning payments due by the Municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;

(h) that the Municipality's available working capital is managed effectively and economically in terms of the cash management and investment policy of the municipality and within the framework prescribed by the Minister of Finance and the :

(i) that the Accounting Officer take all reasonable steps according to the MFMA Act No. 56 of 2003 sec5 (2) to ensure expenditure management

(j) that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.

3. POLICY OBJECTIVE

The objective of this policy is to have a standard payment system in place with clear objectives regarding appropriation of funds to expenditure, funding of expenditure, the payment policies and dates which objectives are measurable in terms of service delivery targets.

4. EXPENDITURE MANAGEMENT

1. According to section 65 and 99 of the Municipal Finance Management Act, the accounting officer of a municipality is responsible for the management of expenditure of the municipality.
2. the accounting officer must for the purpose section 65 (1) take all reasonable steps to ensure—
 - a) that the municipality has and maintains an effective system of expenditure control including procedures for the approval, authorisation, withdrawal and payment of funds.
 - b) that the municipality has and maintains a management, accounting and information system which—
 - (i) which recognizes expenditure when it is incurred;
 - (ii) accounts for creditors of the municipality; and
 - (iii) accounts for payments made by the municipality;
 - c) that the municipality has and maintains a system of internal control in respect of creditors and payments;

- d) that payments by the municipality are made—
 - (i) directly to the person whom it is due unless agreed otherwise for reasons as may be prescribed; and
 - (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit of R200 000.
- e) that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;
- f) that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
- g) that any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;
- h) that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;
- i) that the municipality's supply chain management policy referred to in section 111 of the MFMA, is implemented in a way that is fair, equitable, transparent, competitive and cost effective; and
- j) that all financial accounts of the municipality are closed at the end of each month and reconciled with its records by the 7th day of the following month.

4. EXPENDITURE ON STAFF BENEFITS

The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and in a manner that discloses such expenditure per type of expenditure namely—

- a) salaries and wages;
- b) contributions for pensions and medical aid;
- c) travel, motor car, accommodation, subsistence and other allowances;
- d) housing benefits and allowances;
- e) overtime payments; and
- f) any other type of benefit or allowance related to staff
- g) Reconcile the payday and general ledger every 7th day of the following month.
- h) The reconciliations should be approved by the manager.

- i) Statutory payments should be made on the last day of the month end.
- j) Salaries will only be processed monthly on the 24th unless the 24th falls over the weekend, then Friday will be payday.
- k) Salaries for December and January will be processed on the 15th of the month or any convenient date as determined by Council.
- l) Payroll changes should be submitted to Budget and Treasury Office on the 15th of the month, for December and January on the 7th of the month.

5. APPROPRIATION OF FUNDS FOR EXPENDITURE

According to section 15 of the MFMA a municipality may, except where otherwise provided in the Municipal Finance Management Act, incur expenditure only:

- a) in terms of an approved budget; and
- b) within the limits of the amounts appropriated for the different votes in an approved budget.

6. FUNDING OF EXPENDITURE

An annual budget may only be funded from

- a) Realistically anticipated revenues to be collected;
- b) Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- c) Capital redemption reserve which are cashed backed.
- d) Borrowed funds but only for the capital budget referred to in section 17(2)

7. OPERATING EXPENDITURE

- (a) No expenditure shall be incurred unless provision therefore has been made in the Operating Budget and any expenditure incurred shall be in accordance with the stipulations of the Supply Chain Management Policy.
- (b) No expenditure shall be incurred unless provision therefore has been made in the SDBIP, unless it's an un-avoided expenditure which needs to be approved by the Mayor.
- (c) No expenditure shall be incurred unless provision therefore has been made in the Procurement plan, unless it's an un-avoided expenditure which needs to be approved by the Mayor.
- (d) Procurement Plans should be submitted to the Chief Financial Officer 30 working days before the start of the year and should be approved by the Municipal Manager before Implemented.
- (e) Work, approved by the Council either specially or generally, may be undertaken on behalf of a third party where the full costs are recovered in advance of the commencement of the work from the persons or Departments concerned, provided that executive committee shall specifically approve work in advance of payment of the full cost.
- (f) Any funds received for projects, which were not initially budgeted for by the municipality, which might result in unauthorized expenditure, should be approved by executive committee before work commences.
- (g) In the case of an emergency, any unforeseen and unavoidable expenditure not provided for in the Budget shall be authorised by the Mayor.
- (h) The Mayor must report such expenditure in the next council meeting and it must then be adjusted for in the adjustment budget.

- (i) No person shall commit the Municipality to any un-authorized expenditure without completion of an official order, which must be submitted to the Chief Financial Officer/delegated official immediately for approval.
- (j) Should person become aware of or be advised of any unforeseen increase in the price or fees for any service or supply rendered or to be rendered to the Municipality, such person shall report the anticipated increase to the relevant Head of Department who shall report the increase to the Budget and Treasury Committee ,executive committee and council for approval.

8 CAPITAL EXPENDITURE

8.1 No capital expenditure shall be incurred or committed to any project unless:-

- (a) Provision therefore has been made in the approved Capital Budget;
- (b) Any necessary legislative requirements have been met or provincial or State approvals to incur the expenditure or raise external loans or internal advances have been obtained.
- (c) Approval has been obtained from the Chief Financial Officer for accounting purpose prior to incurring any expenditure.
- (d) The relevant project has been approved by Council as part of a three year capital plan for the commencement of incurring expenditure.

8.2 When funds for a capital programme are appropriated for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme provided that –

- (a) The increase does not exceed 20 per cent of that year's appropriation for that programme;
- (b) The increase is funded within the following year's appropriation for that programme;

- (c) The municipal manager certifies that actual revenue for the financial year is expected to exceed budgeted revenue and that sufficient funds are available for the increase without incurring further borrowing;
- (d) Prior written approval from the Mayor is obtained for the increase, and
- (e) The documents referred to in paragraphs (c) and (d) are submitted to Provincial Treasury and the Auditor General.

9. CREDITORS AND PAYMENTS

- 9.1 The Chief Financial Officer shall be responsible for the payment of all duly certified accounts due by the municipality within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. Maximisation of settlement discounts shall guide the actual date of payment.
- 9.2 The Chief Financial Officer shall ensure that all contracts awarded by the Municipality stipulate payment terms that are favourable to the Municipality. As far as possible, payment should fall due not sooner than 30 days from the invoice date, unless-
 - (a) there are financial incentives for the Municipality to effect earlier payment; or
- 9.3 Notwithstanding the foregoing, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if there are financial incentives for the Municipality to do so. In order to comply with the provisions with section 65 (2) (e) of the MFMA, written confirmation must be obtained from a supplier of any extended terms of payment over 30 days.
- 9.4 No payment for the provision of a service, the supply of goods or the execution of work shall be processed unless an original supplier tax invoice containing a reference to the relevant purchase order and such other relevant information as the Chief Financial Officer may determine, has been received,
- 9.5 All supplier original tax invoices processed for payment shall be certified to represent goods received (by means of a confirmation certificate), services rendered or work executed in a manner and to a standard acceptable to the relevant departmental head and, where applicable, the relevant contract manager or according to contract.

9.6 All supplier invoices shall be submitted to the Budget and Treasury Office under Expenditure section.

9.7 The Chief Financial Officer shall process payments for invoices received twice during each calendar month, such processing to take place during the month and at the end of the month concerned. Special payments to creditors shall only be made with the express approval of the Chief Financial Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal processing. All payments are subject to the submission of the correct and relevant paperwork being submitted and that all legislative requirements are met.

9.8 All payment shall as far as possible be effected by means of electronic transfer and not by cheque. The Chief Financial Officer shall prescribe such procedures and measures as may be reasonably necessary to ensure that the banking details supplied by creditors who request payments by the Municipality to be made by electronic transfer or direct deposit into the relevant creditor's bank account are correct.

9.9 All payments, other than petty cash disbursements, shall be made through the municipality's primary bank account.

9.10 The Chief Financial Officer, shall —

(a) draw all cheques or effect EFT payments on the Municipality's primary bank account;

(b) in consultation with the Municipal Manager and with due regard to the council's policy on banking and investments, determine

(i) the rules procedures relating to the signing of cheques/authorizing Electronic transfers and

(ii) have appropriate signatories approved by council.

9.11 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the Chief Financial Officer. Such vouchers shall be authorised in terms of such procedures as are determined from time to time by the Chief Financial Officer and shall be accompanied by such supporting documents as the CFO may determine. The maximum amount and nature of petty cash disbursements shall be determined from time to time by the Chief Financial Officer and approved by the Council, subject to the Municipality's supply chain management policy and any legislation in this regard. No cash float shall be operated without the

authority of the Chief Financial Officer, who may prescribe such procedures relevant to the management of such float as may be considered necessary.

9.12 The Chief Financial Officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councilors and for the determination of the payment system to be used.

9.13 The Chief Financial Officer is responsible for ensuring that there is an overall effective creditor payment system in operation and Heads of Departments are responsible for making sure that such an effective system operates within their respective departments.

9.14 Prior to a payment request for goods or services being issued, appropriate checks must be made by the relevant municipal official, to ensure that:-

(a) Original approved requisition signed both the Head of Department and the Budget and Treasury officer.

(b) An official order approved by the CFO or a delegated official.

(c) Comparative quotations where applicable and / or any other relevant supporting documents confirming that the proper supply chain management processes were followed in procuring the goods and/or services.

(d) A valid tax invoice which complies with all the relevant laws and regulations.

(e) The invoice must be checked for accuracy, completeness and validity.

(f) The payment is approved for payment by an official with the correct financial delegation.

(g) The invoice was not paid before.

(h) The invoice should be recorded on the invoice register, signed by the person submitting and the person receiving the invoice.

9.15 Invoices should be original documents that comply with VAT regulations.

9.16 In the event of an original invoices and payment voucher being lost, a duplicate/copy may be submitted for payment. Such duplicate invoice must be clearly marked 'duplicate/copy', clearly

endorsed by the supplier and attached to a voucher indicating the reasons for submitting the duplicate. Where a copy/duplicate of an invoice is accepted, such invoice must be certified as not having been previously paid

9.17 Before a commitment/payment is made the Budget and Treasury Office has to verify the validity and good-standing of a supplier's tax clearance certificate with SARS.

9.18 The Chief Financial Officer shall maintain a register (known as the "Authorised Signatory List") of those Municipal Officials who are delegated to authorise payments documentation and other face value documents for payment. The Authorised Signatory List will be subject to periodical review. Heads of Departments must provide details of names, signatures and authorised limits of officials delegated to sign or authorise payment request vouchers and claims, to enable the Chief Financial Officer to maintain the List. Any amendments must be notified to the Chief Financial Officer in writing.

9.20 All payment vouchers must be authorised for payment by completion of the appropriate sections and certified by a Delegated Official on the Authorised Signatory List. Authorisation of a payment voucher for payment (including an order) shall mean that the delegated official is satisfied that the conditions set out in this policy have been met, that the expenditure is legal and within the budget and that all relevant Policies, Financial Regulations, etc have been complied with. The officials approving the vouchers for payments (including orders) will be accountable in terms of the MFMA for the payments made by the Chief Financial Officer.

9.19 An Official who has been responsible for creating a contractual commitment (i.e. placing an order) shall not also authorise the payment voucher for that same commitment. Wherever possible, the functions of receiving and checking of goods/services should be separated from the task of checking and authorisation of payment vouchers. The appropriate signatures and names must be entered on the requisition/payment voucher. These officials will be accountable in terms of the MFMA for all payments made by the Chief Financial Officer.

9.20 The Requisition will require details of the Department to which the expenditure is to be charged. The official certifying a payment request voucher for payment must ensure that the voucher has the correct mScoa segments and that the expenditure is being charged to a budget under his/her control.

9.21 All Heads of Departments must make suitable arrangements within their Departments for the authorisation of payment request vouchers when they are absent for whatever reason. The Chief Financial Officer List must be notified of such arrangements in order to record such arrangements on the Authorised Signatory List.

9.23 The Municipal Manager is responsible for authorising designated cheque signatories within the Budget & Treasury Department, which shall be communicated to the bankers of the Municipality.

9.24 No person in the employ of the municipality will use his/her own money to purchase on behalf of the municipality without the approval of the Chief financial officer.

10. PAYMENT OF CASUAL WAGES FOR PROJECTS

10.1 Casual wages will only be paid monthly to ensure an efficient and effective payment process, departments are now required to make their submissions for payment to the Budget & Treasury Department by the 15th of each month.

10.2 Submissions will not be considered for payment by the Budget & Treasury Department if the following documentation is not attached (no compromise):

(a) A detailed memo requesting payment signed by the H.O.D. and must contain the following details:

(i) A detailed description of the nature, duration and funding of the project.

(ii) Confirmation of availability of funds by the B.T.O.

(iii) A table listing all casuals to be paid, I.D. and bank account details, standard rate, number of days, totals and signature. The table must be included as an annexure to the memo.

(b) A copy of the approved requisition/memo from the Head of Department requesting temporary workers;

(c) The approved list of casuals signed by the Municipal Manager confirming the rate of appointment, period of employment, banking details, skill level etc. or;

- (d) Certified copies of original I.D.'s IF certified copies are not in their personal files.
- (e) Attendance registers which have been signed by the supervisors.

10.3 Casual salaries will only be processed monthly on the 25th unless really exceptional circumstances exist. Departments are therefore encouraged to plan and manage their submissions for payment properly in order to avoid unnecessary inconveniences so that the whole process runs efficiently.

11. GIFTS

11.1 The municipality's funds shall not be expended for gifts of any nature unless authorized by the Municipal Manager, in consultation with the Mayor.

12. ASSOCIATION/SERVICE CLUB MEMBERSHIP

12.1 Attendance at, professional Association meetings are permitted as authorized by the Accounting Officer and approved in the annual budget adopted by the Municipality Council. The Municipality shall pay an employee's dues for membership in a service club/association.

13. UNFORESEEN AND UNAVOIDABLE EXPENDITURE

13.1 The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

13.2 Any such expenditure:

- a) must be in accordance with any framework that may be prescribed by the MBRR;
- b) may not exceed a 15 percent of the approved annual budget;
- c) must be reported by the mayor to the municipal council at its next meeting; and
- d) must be appropriated in an adjustment budget

3. If such adjustment is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 of the Municipal Financial Management Act applies.

14. UNAUTHORISED, IRREGULAR OR FRUITLESS & WASTEFUL EXPENDITURE

14.1 Without limiting liability in terms of the common law or other legislation—

- a) a political office bearer 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 sect 32 (3) of the MFMA.
- 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.

14.2 A municipality must recover unauthorised, irregular or fruitless expenditure 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 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 or written off by the council.

14.3 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 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.

14.4 The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor General, in writing of—

- a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- c) the steps that have been taken—
 - i) to recover or rectify such expenditure; and
 - ii) to prevent a recurrence of such expenditure.

14.5 The writing off in terms of section 32(2) of unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable is no excuse in criminal or disciplinary proceedings against a person

charged with the commission of an offence or a breach of this act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

14.6 The accounting officer must report to the South African Police Service all cases of alleged—

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

14.7 The council of a municipality must take all reasonable steps to ensure that all cases referred to Section 32 (6) are reported to the South African Police Service if—

14.7.1 the charge is against the accounting officer; or

14.7.2 The accounting officer fails to comply with that subsection

14.8 The Minister, acting with the concurrence of the Cabinet member responsible for local government may regulate the application of this section by regulation in terms of section 168 of the MFMA.

14.9 Refer to Annexure A (MFMA Circular 68 of 2013) which deals in detail with the treatment of Unauthorised, Irregular or Fruitless & Wasteful Expenditure.

15. CRITERIA FOR DETERMINING SERIOUS FINANCIAL PROBLEMS

The Municipal Financial Management Act stipulates that when determining the seriousness of a financial problem, all relevant facts must be considered, singly or in combination, the following factors with regards to expenditure may indicate a serious financial problem

- a) the municipality has failed to make payments as and when due;
- b) the municipality has defaulted on financial obligations for financial reasons;
- c) the actual current expenditure of the municipality has exceeded the sum of its actual current revenue plus available surpluses for at least two consecutive financial years.

16. UNSPENT CONDITIONAL GRANT

There should be a weekly update of the grants received, banked, expenditure incurred relating to the grant and withdrawal on the **Financial** system.

The Expenditure Accountant should make sure that the above transactions have been allocated correctly on the **Financial** system and if not corrective actions need to be taken to rectify errors immediately.

The Accountant must then review the allocations at month-end all misallocations on all the transactions incurred.

The municipality should prepare bank reconciliations for the grants accounts between bank statements and the cash book on a monthly basis and these reconciliations should be reviewed by the Accountant and manager. An investments register must be prepared monthly and must be reviewed by the Accountant and be approved by the CFO by the 7th of each and every month.

On a monthly basis, the manager should submit a report to the Chief Financial Officer on unspent conditional grants which consist of grants received; grant expenditure, withdrawal of fund from the bank and the balance at the end of the month. This report should be reviewed by the Chief Financial Officer in order to establish unspent conditional grant at month end. This report should agree to the bank reconciliation for the grants and any discrepancy should be investigated immediately.

At year end the Chief Financial Officer should make sure that the unspent conditional grants disclose on the Annual Financial System agree to the bank reconciliation, general ledger and the monthly report.

17. CONTINGENT LIABILITIES

17.1 Contingent liabilities are possible obligations that may become liabilities (e.g. lawsuits, contaminated sites) in the future. These contingent liabilities can be specific to municipal obligations defined by law or contract that the municipality is legally mandated to settle when it becomes due. Often they are not visible until they are triggered, and therefore they represent a hidden fiscal risk and can drain future municipal finances. The problem with implicit contingent liabilities, which represent a moral obligation for the municipality based on public expectations and political pressure, is that they are not officially recognised until a failure occurs. The triggering event, the amount at risk and required unexpected government expenditures are all uncertain.

The defining characteristics of contingent liabilities are:

- a) There must be an existing condition or situation the outcome of which is uncertain; and
- b) An expected future event will resolve the uncertainty

17.2 In ensuring that the municipality's liabilities are valued in accordance with standards of generally recognized accounting practice, the chief financial officer shall establish the existence of a contingent liability through the following question:

Is the municipality currently involved in a situation where the outcome of the situation is unknown, but an unfavourable outcome could result in a requirement for the municipality to make future cash payments to resolve the situation?

If so, then a contingent liability exists. The municipality then has to determine whether the municipality must record the contingent liability in the financial statements or disclose the existence of the contingent liability in the notes to the financial statements. To make that determination, the municipality must answer the following questions

Is the probability that the expected future event will confirm that a liability exists:

	Yes	No
Likely (probability is high) Legal counsel advises that you should settle the lawsuit with the litigant because they have a strong case.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Unlikely (probability is slight) Legal counsel views a lawsuit to be frivolous and has no basis in law.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Not Determinable Legal counsel views a lawsuit as possibly being settled in favour of either party.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The second question involves whether a determination can be made of the amount involved.

Can the amount involved be reasonably estimated?

Based on the municipality's answers above, a contingent liability should be:

1. Recorded in the financial statements when:
 - a) it is likely that the future event will confirm the existence of a liability; and
 - b) the amount of the liability can be reasonably estimated.

2. Disclosed in the notes to the financial statements when:
 - a) the occurrence of confirming event is likely but the amount cannot be reasonably estimated;
 - b) there is exposure for an additional liability in excess of the amount presently recorded; or
 - c) the outcome of the future event is not determinable.

3. The following chart indicates the financial reporting requirements for each situation.

Probability of the Confirming Future Event	Amount of the Liability Can Be Reasonably Estimated	Amount of the Liability Cannot Be Reasonably Estimated
Likely	Accrue in the F/S	Disclose the situation in the notes
Not Determinable	Disclose the situation & amount in the notes	Disclose the situation in the notes
Unlikely	No action required	No action required

a. REPORTING AND MONITORING PROCEDURES

In terms of Section 71 of the Municipal Financial Management Act, the Accounting Officer must within 10 days of the end of each month submit to the Mayor or Finance Standing Committee a report describing in detail the cash flow position of the municipality as at the end of the month.

i. SHORT TITLE

This policy will be known as the Expenditure Management Policy for Mandeni Local Municipality

ii. CONCLUSION

The Accounting Officer in particular and the Chief Financial Officer must ensure that the implementation of this policy is done according to the prescripts. Any deviations due to unforeseen circumstances must be brought to the attention of the Municipal Council in a written form and recommended remedial solutions thereof.

POLICY ADOPTION

The accounting officer will be the accountable custodian of this policy and must ensure that this policy is submitted to the council for consideration and adoption.

POLICY REVIEW

This policy must be reviewed at least annually to ensure that it is adaptable to operational changes and it is aligned with the legislative environment.

When deemed necessary on ad hoc basis, the Accounting Officer must submit proposals of amendments of the policy to the Council for consideration and adoption.

COUNCIL RESOLUTION: _____

SIGNATURES

MUNICIPAL MANAGER

DATE

