

EXPENDITURE MANAGEMENT POLICY

2018/2019



Summary

The Municipal Finance Management Act, (Act 56 of 2003) read together with the Municipal Budget and Reporting Regulations, provides the legislative framework within which any expenditure related transactions must take place.

Section 11 of the Municipal Finance Management Act, (Act 56 of 2003) specifically provides the legislative framework for any withdrawals from any bank account in the name of Ngqushwa Local Municipality.

The budget plays a critical role in an attempt to realise the diverse community needs. Central to this, the formulation of this expenditure policy must ensure that the objectives of the MFMA as set out in section 2, is incorporated in the day to day administration of the municipality.

This policy must be read, interpreted, implemented and understood against this legislative background.

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| Publication Date | 01 July 2018 |
| Review Date | February 2018 |
| Related Legislation/Applicable Section of Legislation | Municipal Finance Management Act no. 56 of 2003 |
| Related Policies, Procedures, Guidelines, Standards, Frameworks | Ngqushwa Local Municipality Expenditure Procedure Manual |
| Replaces/ Repeals (whichever is relevant, if any) | Expenditure Management 2017/ 2018 |
| Policy Officer (Name/Position) | Mrs L T Songca |
| Policy Officer (Phone) | 040 6733 095 |
| Policy Sponsor (Name/Position) | |
| Department Responsible | Budget and Treasury Office |
| Unit responsible | Expenditure |
| Applies to | Ngqushwa Municipality Employees |

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REVISION RECORD

| Date | Version | Revision Description |
|-------------|----------------|-------------------------------|
| May 2018 | Version 1 | Expenditure Management Policy |

DEFINITIONS AND ABBREVIATIONS

| Term | Meaning |
|-------------|---------------------------|
| HOD | Head of Departments |
| CFO | Chief Financial Officer |
| MM | Municipal Manager |
| EFT | Electronic Funds Transfer |

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1. PURPOSE

The objective of the Expenditure policy is to:

- a) Set out a framework for Ngqushwa Local Municipality to deal with:
All expenditure related transactions;
Unforeseen and unavoidable expenditure;
Unauthorised, Irregular and Fruitless and wasteful expenditure;
To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes; and
- b) Ensure that all monies due by the municipality is paid in full within the 30 days of receipt date of invoice or statement; whichever is the latest as prescribed by the Municipal Finance Management Act, 2003 (Act No.53 of 2003); and
- c) Ensure that the principles applied, as a result of this policy, will enhance and support a healthy working capital position for the Ngqushwa Local Municipality.

2. SCOPE

The Expenditure policy is applicable to all transactions and events relating to the incurrence of operational and capital expenditure.

3. EXPENDITURE MANAGEMENT

3.1. Banking Details

Any changes to creditors' banking details will only be allowed when the following procedures have been met:

- a) The Creditor must inform the Municipality of its' banking details on an original letterhead from the specific company and approved by the relevant banking institution with their official stamp and signatures.

- b) In the case where official letterheads and documentation is not available a letter from the banking institution duly signed by both parties and official stamp will be required.
- c) Only original documentation information as set out above will be accepted for any changes to banking details.

Refunds in respect of other deposit accounts, excluding consumer deposits, will only be refunded to the bank account originally certified by the beneficiary at the time of payment.

3.2. Withdrawals from the Bank Account

Any withdrawal from a bank account in the name of the Ngqushwa Local Municipality, may only occur in terms of section 11 of the MFMA;

All withdrawals must comply with the Cash & Investment Policy of the Ngqushwa Local Municipality and shall be signed or authorised by not fewer than two people as authorised by the Accounting Officer.

The delegated authority to sign cheques or authorise electronic payments shall be in writing and kept on record, and be reviewed regularly by the Accounting Officer. Copies of such letters of authority will be kept by the expenditure department.

3.3. Creditors

All money owed by the Municipality must be paid within thirty (30) days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

Payments will only be made directly to the person or institution to which a contract was awarded and from which the invoice is received for legally rendering the service to the Municipality.

All requests for payment, properly certified and accompanied by the relevant invoices and supporting documentation must reach the Creditors' Department at least 5 days (120 hours) before payments are due.

Senior Managers shall advise the CFO of the names of officials empowered to sign requisitions and / orders together with their specimen signatures.

Invoices or statements submitted for payment to the Manager of Expenditure by any department shall be in such form as may be required by the CFO and must state the reference to the relevant vote to meet such payment.

When a department authorises the payment of accounts the signatory certifies and authorises that:-

- a) All processes in terms of the Supply Chain Management Policy of the Municipality had been followed;
- b) The goods and services have been received and rendered in good order and are under the control of the Municipality;
- c) The account has not previously been submitted for payment;
- (d) Sufficient budgetary provisions exists;
- d) If excess expenditure is involved, a virement should be approved authorising the excess expenditure and shall be attached to the voucher;
- e) Authority for the payment exists, in which case the authority shall be indicated on the voucher; and
- f) Fruitless and wasteful expenditure has not been incurred.

Before payment is processed the Creditors Department shall ensure that: -

- a) The prices, calculations and any taxes are correct;
- b) Any discounts to which the municipality is entitled to have been deducted;
- c) The account has previously not been paid; and
- d) Sufficient budgetary provisions exist.

All payments due by the Municipality shall be made by cheque or approved electronic payment method drawn from the banking account of the Municipality.

3.4. Salaries, Wages and Allowances

The CFO shall be responsible for the calculation and payment of salaries, wages and allowances.

Payment shall be made in accordance with pay sheets approved by the Manager for Expenditure to a nominated bank account of the municipal employee or councillor.

Corporate Services is responsible to notify the Chief Financial Officer and Manager for Expenditure of all appointments, promotions, dismissals, resignations, transfers, absences for any reasons, and all matters affecting the emoluments of employees of the municipality.

The submission of such information to the Manager for Expenditure shall be in such form and at such dates and times as the CFO may determine from time to time.

Corporate Services shall be responsible for the maintenance of all records essential for the accurate determination of emoluments and leave due to employees of the municipality.

3.5. Grant Expenditure

A proper cash flow in respect of Grant expenditure as well as Grant income related to the Grant Funded project must be drawn up by the relevant director and included in the budget.

No payments will be allowed in respect of projects to be financed from external grants unless grant funding have been received.

Council may, however, approve payments before any funds have been received but only where funds have already been committed to in writing, by the relevant state department or other institution.

3.6. Capital Expenditure

No capital expenditure shall be incurred or committed to any project unless: -
Duly appropriated in an approved capital budget or adjustments budget; and

All necessary legislative requirements have been met as set out in the MFMA section 19, Budget and Reporting Regulations sections 11 and 13 and the Supply Chain Management Policy of the Ngqushwa Local Municipality.

3.7. Interest

No interest will be payable by the Municipality on any late payments unless due to negligence on behalf of an official of the Municipality.

In the case that the interest charge is due to the negligence of an official the expenditure is classified as fruitless and wasteful expenditure.

4. DELEGATION OF FUNCTIONS AND POWERS

The accounting officer may, in terms of section 79 of the Act, delegate his or her functions and powers in terms of this policy to the Chief Financial Officer.

5. ROLES AND RESPONSIBILITIES

| Role | Authority |
|---------------------|---|
| Expenditure Manager | <ol style="list-style-type: none"> 1. Approves EFT payment on banking website or banking payment file after he/she reviewed the supporting documentation and payment summary report/payment journal(s) 2. Reviews and approves creditors and bank reconciliation 3. Reviews the status report of long outstanding invoices 4. Reports monthly to the municipal management and seniors in directorates |
| Revenue Manager | <ol style="list-style-type: none"> 1. Approves EFT payment on banking website or banking payment file after he/she reviewed the supporting documentation |
| Chief Accountant | <ol style="list-style-type: none"> 1. Approves EFT payment on banking website or banking payment file after he/she reviewed the supporting documentation and |

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| | payment summary report/payment journal(s) 2. Reviews and monitors monthly departmental spending. |
| CFO | 1. Approves EFT payment on banking website or banking payment file after he/she reviewed the supporting documentation 2. Reports to council on Expenditure Management |

6. MONITORING, EVALUATION AND REVIEW

A report detailing the progress with the implementation of Expenditure Policy with specific reference to achievement of this policy has to be compiled every year by the person with the responsibility for implementation and monitoring. The policy must be made available to all consulting parties for perusal and comment and must be circulated to all staff members by means of circulars, notices and notice boards.

7. REVIEWAL OF THE POLICY

It will be the responsibility of the Corporate Services Department to consider the provisions of this policy on annual basis. The Corporate Services Department shall request all Departments to submit their proposed changes for submission to Council for approval.

8. COMMUNICATION

Circulars, messages and notices on notice boards will be utilized in order to inform all employees of the availability of the policy. Copies of the policy will also be distributed to the parties that took part in the consultation process

9. ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL

This policy is adopted and approved by the full Ngqushwa Local Municipality Council for implementation

Effective from 1 July 2018

Approved by Resolution Number 6.3 on this day 30 of May 2018.

