

SUNDAYS RIVER VALLEY LOCAL MUNICIPALITY



FINANCIAL MANAGEMENT POLICIES

March 2016

FINANCIAL POLICIES

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1. BUDGET MATTERS

1.1 GENERAL BUDGETING PRINCIPLES

- The Budget and Budget Preparation process shall comply with the requirements of the Municipal Finance Management Act of 2003 and nothing contained in this policy shall contradict the said legislation.
- Council shall not budget for a deficit.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.
- When preparing its budget, Council must ensure that the budget is in accordance with its Integrated Development Plan.

1.2 BUDGET PROCESS

1.2.1 The Chief Financial Officer shall prepare a draft budget timetable for the ensuing financial year which shall be tabled by the Mayor/Speaker to Council for approval at least 10 months before the start of the next budget year. The budget timetable shall contain key deadlines for:

- a) the annual review of the IDP
- b) the review of budget related policies
- c) the preparation, tabling and approval of the annual budget
- d) the consultative processes forming part of the budget process.

Departmental Managers shall ensure that they meet the deadlines as set out in the Budget Timetable.

1.2.2 The Chief Financial Officer shall prepare a Budget Strategy for approval by Council, which shall contain the principles, objectives and strategies that will apply during the forthcoming budget preparation process. Such Budget Strategy shall take cognisance of the directives, guidelines and economic factors prevailing at the time or circulated by National and Provincial Government. The Budget Strategy shall give general direction to the budget process and also indicate affordable budget growth and envisaged tariff increases as the base line of the budget process.

1.2.3 The Mayor/Speaker shall table the draft annual budget to Council at least ninety days before the start of the new financial year.

1.2.4 Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and invite the local community to submit representations in regard to such budget. The public participation process must be a formal process and must ensure adequate consultation as contemplated in the MFMA

1.2.5 Council shall consider approval of the annual budget at least 30 days before the start of the financial year to which it relates. The resolutions and performance objectives referred to in Section 17 of the MFMA must be adopted simultaneously.

1.2.6 The annual budget must be approved before the start of the budget year to which it relates.

1.2.7 The budget tabled to Council for approval shall include the following supporting documents:

- a) The budget must be in the format prescribed by National Treasury and must be divided into a capital and an operating budget.
- b) The budget must be balanced and reflect the realistically anticipated revenues by major revenue source for the budget year concerned.
- c) The expenses reflected in the budget must be divided into different categories (for operating budget) and different capital projects or services (for capital budget).
- d) The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

1.2.8 The budget must be accompanied by all the following documents:

- a) draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- b) draft resolutions (where applicable) amending the IDP and the budget-related policies;
- c) measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- d) the projected cash flows for the financial year by revenue sources and expenditure votes broken down per month;
- e) any proposed amendments to the IDP;
- f) the cost to the municipality for the budget year of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers employed in terms of Section 57 of the Municipal Systems Act;
- g) particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
- h) particulars of the municipality's investments; and

1.2.9 The Chief Financial Officer must within **10 working** days after approval of the budget submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and to prescribed national and provincial organs of state and other municipalities affected by the budget and insert it onto Council's website.

1.2.10 The Mayor/Speaker must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council. The SDBIP should include the following five components:

- a) Monthly projections of revenue to be collected for each source

- b) Monthly projections of expenditure (operating and capital) versus actual expenditure for each vote
- c) Quarterly projections of service delivery targets and performance indicators for each vote
- d) Ward information for expenditure and service delivery
- e) Detailed capital works plan broken down by ward over three years

1.3 OPERATING BUDGET PREPARATION

The Chief Financial Officer, jointly with Departmental Managers, under the oversight of the Standing Finance Committee, shall develop a balanced operating budget before it is submitted to Council in March every year, according to the approved Budget Timetable and based on the IDP, legislative requirements, Budget Strategy and Assumptions approved by Council.

The Chief Financial Officer shall submit to the various Departments a 3 year budget forecast in respect of Human Resources costs in order for Departments to finalise their respective Human Resources Budgets. Departmental Managers shall not reallocate Human Resources Budgets to any other expenditure category budgets.

The principle of zero-based budgeting shall be applied in the preparation of the operating budget.

Departmental Managers shall establish budget requirements in respect of maintenance of assets, taking cognisance of backlogs and shall, in consultation with the Chief Financial Officer prepare a strategy to address such maintenance needs and backlogs.

Revenue projections shall be done by the respective Departmental Managers in consultation with the Chief Financial Officer, taking cognisance of actual performance, economic growth opportunities as well as affordable and acceptable tariff increases.

1.4 CAPITAL BUDGET AND CAPITAL PROGRAMME PREPARATION

1.4.1 Every Departmental Manager shall, in respect of the activities of the Department, in consultation with the Chief Financial Officer, prepare:-

- (a) when requested by the Municipal Manager, and/or the Mayoral Committee, a revised Capital Budget reflecting revised estimates and actual expenditure for the current financial year;
- (b) a draft Capital Budget in respect of the ensuing financial year and a draft Capital Programme for the following two financial years, based on the following principles:-
 - (i) Year Two of the current Capital Budget shall become Year 1 of the next year's Budget and Year Three of the current Capital Programme shall become Year Two
 - (ii) New projects shall enter the Capital Budget and Programme in Year 3.
 - (iii) Special circumstances as determined by the Mayor/Speaker must exist for a project to enter the Capital Budget in any other way.

- 1.4.2 No capital project will be accepted for inclusion into the draft budget unless it is accompanied by the projected cost covering all financial years until the project is operational, future operational costs and revenue and a cash flow for the project.
- 1.4.3 Carry-over of capital projects from the previous year will be considered for inclusion if they fall within the existing levels of the Capital Budget. Departmental Managers must identify carry over budget requests during the quarterly review processes.
- 1.4.4 New or additional projects included in the Revised Capital Budget which were not previously approved by Council must be fully motivated and accompanied by completed project appraisal forms.
- 1.4.5 The draft Capital Budget and Capital Programme shall:-
- (a) indicate separately projects which are -
 - (i) committed projects;
 - (ii) related to maintaining existing services/ infrastructure;
 - (iii) financed by grants and subsidies; and
 - (iv) other projects
 - (b) include the following in connection with new projects:-
 - (i) Full motivations, including details of their impact on the Operating Budget. These projects must be accompanied by a completed project appraisal form and will be subject to priority rating.
 - (ii) No project shall be considered for inclusion in the Capital Budget/Programme unless the project has been considered by the Executive Committee. In exceptional cases, however, where the Departmental Manager is of the opinion that it would be in Council's interest not to submit a project for evaluation in the first instance, such a project may be considered by the Standing Finance Committee and shall include the reasons why it is considered necessary to submit the project without evaluation.
 - (iii) A monthly cashflow projection for the first full financial year of a project. The cashflow must differentiate between external payments and internal work performed.
 - (iv) Classification in terms of the Integrated Development Plan and motivation as to how the Integrated Development Plan will be supported.
 - (c) Indicate projects that have been deleted from the previous programme and reasons for such deletion;
 - (d) Be collated by the Chief Financial Officer, who shall include the priority rating of the new projects in the Draft Capital Budget and Programme;

1.5 BUDGET IMPLEMENTATION

- a) The Municipal Manager is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

Departmental Managers are responsible for the management and control of the Budgets of their Departments in conjunction with the Chief Financial Officer and shall present reports to the Municipal Manager in this regard whenever requested to do so.

- b) The Municipal Manager must prepare an adjustments budget when such budget is necessary and submit it to the Mayor/Speaker for consideration and tabling in Council.
- c) The Municipal Manager 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.

1.6 VIREMENTING OF FUNDS AND ADJUSTMENT BUDGETS

Budgets are approved reflecting different Votes. In terms of the definitions of the Municipal Finance Management Act, a 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.

Budget amendments and virementing between Operating Budgets and Capital Budgets are not permissible, except in the case of Grant Funding.

1.6.1 Virements

Changing circumstances and priorities may give rise to a need to shift (virement) funds within an approved Vote (as defined in the MFMA).

A request for the virementing of funds shall be made by the affected Departmental Manager on the appropriate form, for recording by the Budget & Treasury Office.

Approval of Virements in respect of Operating Budget and Capital Budget:

- | | |
|----------------|--|
| Up to R50 000: | Recommended by the affected Departmental Manager for approval by the Chief Financial Officer; |
| Above R50 000: | Recommended by the affected Departmental Manager, endorsed by the Chief Financial Officer and final approval by the Municipal Manager. |

Expenditure may only be incurred after approval as set out above.

Virement Restrictions

- a) No funds may be viremented between line items within a vote without approval of the Municipal Manager.
- b) Virements may not exceed a maximum of 5% of the total approved operating expenditure budget.

- c) A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)
- d) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs
- e) No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the mayoral Committee.
- f) No virement may be made where it would result in over expenditure. (section 32 MFMA)
- g) Virements may not be made in respect of ring-fenced allocation.
- h) Budget may not be transferred from Support Service (interdepartmental) costs, Capital financing, Debt impairment, Interest charges, Depreciation, Bulk purchases, Contributions, Grant Expenditure; insurance, VAT and Income Foregone.
- i) Amounts may only be transferred from Salaries if approved by the Municipal Manager.
- j) Virements may not result in "adding" new projects to the capital budget and virements between capital and operating budget is not allowed
- k) No virements are permitted in the first three months or the final month of the financial year without the express agreement of the Municipal Manager.
- l) Virements amounts may not be rolled over to subsequent years, or create expectations on following budgets.
- m) An approved virement does not give expenditure authority and all expenditure resulting for approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.
- n) Virements may not be made on revenue.
- o) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted

1.6.2 Budget Amendments

A Budget amendment means the shifting of funds between Votes as defined in the MFMA. Only Council may approve Budget amendments after having considered a recommendation from the Mayor/Speaker.

The Mayor/Speaker may table an adjustment budget before Council as and when necessary, upon having considered a motivation from an affected department recommended by the Standing Finance Committee upon a change in needs or priorities, but must table an adjustment budget when it becomes necessary in the following instances (MFMA Chapter 4 (28)):

- Material under-collection of revenue;
- To appropriate additional reserves that have become available but only to revise or accelerate spending programmes already budgeted for.
- Unforeseen and unavoidable expenditure recommended by the Mayor/Speaker within a prescribed framework.

All recommendations for budget amendments must contain the financial comment from the Chief Financial Officer prior to consideration and approval thereof.

Expenditure may only be incurred on amended budgets after approval by Council of such Budget amendment, except in case of emergency or other exceptional circumstances as defined in Section 29 of the MFMA.

1.7 MONITORING AND REPORTING

1.7.1 A monthly report to the Standing Finance Committee prepared by the Chief Financial Officer shall serve to monitor the actual expenditure against the budget and cash flow forecasts reflected in the SDBIP for the period. Departmental Managers shall provide comment to the Chief Financial Officer for inclusion in the report or at meetings of the Committee.

1.7.2 Monthly budget statements:

- a) The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor/Speaker and Provincial and National Treasuries a report in the prescribed format as per the MFMA **section 71**.

This report must reflect the following:

- i) actual revenues per source, compared with budgeted revenues;
- ii) actual expenses per vote, compared with budgeted expenses;
- iii) actual capital expenditure per vote, compared with budgeted expenses;
- iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- v) the amount of allocations received, compared with the budgeted amount;
- vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
- vii) 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;
- viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- ix) projection 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.

- b) The report to the National and Provincial Treasuries must be both in electronic format and in a signed written document.

1.7.3 Website reporting:

The Municipal Manager must place on the municipality's official website the following:

- a) the annual and adjustments budgets and all budget-related documents;
- b) all budget-related policies;
- c) the annual report;
- d) all performance agreements;
- e) all service delivery agreements;
- f) all long-term borrowing contracts;
- g) all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

1.8 QUARTERLY REPORTS

The Municipal Manager must submit to the Council within thirty days after the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

1.9 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

- a) The Municipal Manager must 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.
- b) The Municipal Manager must then submit a report on such assessment to the Mayor/Speaker by 25 January each year and to Provincial Treasury and National Treasury.
- c) The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.
- d) In terms of Section 54(1) (f) of the MFMA the Mayor/Speaker must promptly submit this assessment report to Council by 31 January of each year.

1.10 OTHER LEGISLATIVE REPORTS

The Chief Financial Officer must ensure that the financial information which is required for the following annual, six-monthly, quarterly and monthly reports is provided within the required deadlines:

a. Annual Reports

- Asset Management
- Budget Evaluation Checklist
- Financial Position
- Financial Position Audited
- Capital Acquisition
- Capital Acquisition Audited
- Cash Flow Budget
- Grants and Subsidies Given
- Grants and Subsidies Received
- Financial Performance Audited
- Financial Performance Budget
- IDP to Budget
- Mid-year budget and performance assessment
- Annual Budget

b. Six-Monthly Reports

- Mid-year Budget and Performance Assessment (Section 72 MFMA)

c. Quarterly Reports

- Borrow Monitoring
- Corporate Entity
- Long Term Contracts
- MFMA 12 Urgent Priorities
- Public-Private Partnerships
- Equitable Share
- Withdrawals from Municipal Bank Accounts
- Environment and Health – Allocations and Expenditure
- Budget Review (Section 52 MFMA)
-

d. Monthly Reports

- Aged Creditors

- Aged Debtors
- Capital Acquisitions Actual
- Cash Flow Actuals
- Finance Management Grant
- Financial Performance Actuals
- Restructuring Grant
- Municipal Infrastructure Grant
- MSIG – Project Consolidate
- Budget Statement (Section 71 MFMA)
- Supply Chain Management Awards

2. MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK (MTIEF)

The Chief Financial Officer shall prepare a MTIEF model covering a five year timeframe. This shall enable the Council to assess the level of resources that are likely to be available, the service and corporate demands on those resources and the strategies available to manage the financial scenario facing the Council.

3. INCOME

3.1 LEVYING OF TARIFFS, FEES AND CHARGES

- 3.1.1 Departmental Managers, in consultation with the Chief Financial Officer, are responsible for the development of a Tariff Policy in respect of the relevant municipal services for which they are responsible.
- 3.1.2 Tariffs, Fees and Charges for all municipal services shall be determined in accordance with the approved Tariff Policy for the relevant service. These fees and charges shall be reviewed annually by the respective Departmental Managers during the budget process, in consultation with the Chief Financial Officer. All fees and charges for the ensuing financial year shall be finalised and submitted to their respective Standing Committees by the end of January and approved by the end of March of each year, and be approved by Council together with the Budget by 31 May of each year. Upon approval of the Budget, all approved Tariffs, Fees and Charges shall be recorded in Council's Tariff Book.
- 3.1.3 The result of this revision of Tariffs, Fees and Charges shall be reported to the Standing Finance Committee, even if no changes are proposed, after consideration by the relevant Standing Committee. Tariffs shall be cost reflective and any deviation from this principle shall be motivated by the relevant Department to the relevant Standing Committee and the Standing Finance Committee.
- 3.1.4 The Standing Finance Committee shall only consider a report on Tariffs, Fees and Charges from the relevant Departmental Manager if such report includes the comments of the Chief Financial Officer.

3.2 COLLECTION AND CONTROL OF INCOME

- 3.2.1 The Chief Financial Officer is responsible for the management and control of all income received and due to Council. For this purpose, the Chief Financial Officer shall ensure the implementation of an effective revenue collection system in terms of the Revenue Management and Customer Care By-Law and associated Policies.

- 3.2.2 The Chief Financial Officer is responsible for the collection of all monies due to Council. Business Units authorised by the Chief Financial Officer, may collect money for a specific purpose in accordance with the processes and procedures determined by the Chief Financial Officer.
- 3.2.3 Any monies collected by any Business Unit of the Municipality in terms of an arrangement with the Chief Financial Officer shall be paid into the Council's bank account or at the Cashiers of the Budget and Treasury Office in conformity with the requirements of the applicable legislation. No monies shall be accepted unless an official receipt can be issued immediately. No municipal official may accept any money for any purpose unless authorised by the Chief Financial Officer.
- 3.2.4 Receipts issued for all monies collected by Business Units for the credit of the municipality's account shall be in a form approved by the Chief Financial Officer and in conformity with the requirements of the Audit Regulations.
- 3.2.5 All monies due to the municipality must be deposited into Council's bank account opened in accordance with the requirements of the MFMA.
- 3.2.6 All amounts raised for municipal services and legally owed to the municipality shall be recorded in the Council's debtors system as implemented by the Chief Financial Officer.
- 3.2.7 No amount due to the municipality shall be written off as irrecoverable unless the requirements of Council's Revenue Management, Customer Care By-law and the Policy and Procedure document on the write off of irrecoverable debt have been complied with. A report for consideration of the write-off of irrecoverable debts shall be prepared by the Chief Financial Officer when required and submitted to the Standing Finance Committee in the first instance, before submission to the Mayor/Speaker and Council for final approval.

4. SUPPLY CHAIN MANAGEMENT (SCM)

- 4.1 All procurement of goods and services for Council business shall be in accordance with the Supply Chain Management Policy of Council, adopted in terms of the Municipal Finance Management Act.
- 4.2 The Municipal Manager shall appoint the relevant Specification, Evaluation and Adjudication Committees in terms of the Supply Chain Management Policy and shall delegate to the Departmental Managers and appointed members of the above mentioned committees, the required powers to execute the Supply Chain Management functions.
- 4.3 Official contracts shall be entered into when appointing contractors or any external service provider. Departmental Managers shall ensure that service providers are given clear written instructions regarding the deliverables and performance expected. The desired performance shall be measurable, quantifiable and capable of being certified during or on completion of the task or rendering the service. Contracts shall be signed by the Municipal Manager who may delegate such function to the relevant Departmental Manager, and the Contractor.
- 4.4 Official Orders shall be issued to successful suppliers/service providers, once requisitions have been approved and quotations received, and it is the responsibility of the relevant

department to ensure that the appropriate documentation is submitted to the Budget and Treasury Office to ensure payment to the supplier/service provider upon delivery/ completion.

- 4.5 The relevant Departmental Manager shall certify that goods delivered or services rendered are in accordance with the expected quality, quantity or agreed performance. Variations shall be reported and, where necessary, the required authority for such variation shall be obtained by the Departmental Manager. Under no circumstances shall goods or services be certified for payment if they have not been received or rendered.

5. GOODS AND MATERIALS

- 5.1. All goods and materials belonging to the Council and held for future consumption shall be retained in the Store controlled by the Asset Management Division of the Budget & Treasury Office. With the approval of the Chief Financial Officer, certain goods and materials may be held by Departmental Managers in a sub-store, provided that all items not required immediately shall be recorded and accounted for by such departments to the satisfaction of the Chief Financial Officer.
- 5.2 A stores record reflecting full particulars of purchases and issues of goods and materials and the balances of stock on hand in the Store controlled by the Asset Management Division shall be maintained by the Chief Financial Officer. Similar stores records shall be maintained by Departmental Managers in respect of sub-stores under their control.
- 5.3 An annual stock-take must be undertaken at 30 June each year and regular stock-takes shall be conducted on all stores and sub-stores (a minimum of two per financial year) and the results forwarded to the Chief Financial Officer.
- 5.4 Stocks shall not, except where the Chief Financial Officer is satisfied that special circumstances exist, be carried by or for any Department in excess of normal requirements. Whenever it appears to the Chief Financial Officer that a proposed purchase would result in infringement of this clause, the Departmental Manager shall be advised accordingly and the Chief Financial Officer, if it is considered necessary, shall report the matter to the Municipal Manager for appropriate action.
- 5.5 Requisitions for goods and materials shall be authorised by the relevant Departmental Managers or their delegates, provided written notification of such delegation and the extent of their authority is submitted to the Chief Financial Officer within the following categories:-
- (a) not exceeding R2 000 per requisition;
 - (b) not exceeding R10 000 per requisition;
 - (c) not exceeding R30 000 per requisition;
 - (d) not exceeding R200 000 per requisition;

Specimen signatures of all persons authorised to sign requisitions shall be supplied to the Chief Financial Officer and updated coinciding with any alterations or changes. When such persons leave the services of the municipality, the Chief Financial Officer shall be advised immediately.

- 5.6 The Chief Financial Officer shall only accept requisitions and orders if sufficient budgetary provision exists to cover a requisition or order presented to the Asset Management Division. The Chief Financial Officer shall immediately inform the Departmental Manager concerned if the budgetary provision is insufficient and the Departmental Manager shall be required to

either apply for a virement by finding savings on their budgets or apply for a Budget amendment as reflected under Paragraph 1.6 of this Policy.

In cases of emergency or other exceptional circumstances, the Mayor may authorise unforeseen and unavoidable expenditure where insufficient budget provision may exist. Under such circumstances, the provisions of Section 29 of the MFMA must be adhered to.

- 5.7 Requisitions for uniforms or protective clothing shall only be executed if they are in accordance with the Council's approved schedule of issue.
- 5.8 Subject to the requirements of the Audit Regulations, the Chief Financial Officer shall be responsible for the ordering, custody and issue of receipt forms, tickets, tokens, vouchers of value, and such other stationery as may be necessary.
- 5.9 Unless otherwise agreed with the Chief Financial Officer, all surplus goods and materials after completion of works or the fulfilment of the purpose for which they were issued or goods recovered in the course of carrying out works or on hand for any reason whatsoever, shall be returned to and recorded by the Asset Management Division without delay. An advice note describing such goods and materials shall be furnished to the Asset Management Division by the Department concerned. The Chief Financial Officer shall, in consultation with the Departmental Manager concerned, decide on the value, if any, to be credited to the appropriate vote(s).
- 5.10 In the event of the Chief Financial Officer authorising a Department to return goods or materials direct to the supplier, the Departmental Manager shall ensure that the necessary goods returned note is forwarded to the Asset Management Division. Under no circumstances may goods be returned to a supplier without the supplier immediately issuing the goods returned note.
- 5.11 No surplus goods and materials, no matter what the value, may be taken by or sold to any person (including employees and Councillors) other than in accordance with the Supply Chain Management Policy.

6. OPERATING EXPENDITURE

- 6.1 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.
- 6.2 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 Department concerned, provided that Council shall specifically approve work in advance of payment of the full cost.
- 6.3 In the case of an emergency, any unforeseen and unavoidable expenditure not provided for in the Budget shall be authorised by the Departmental Managers and the Municipal Manager and Mayor/Speaker. In respect of expenditure thus incurred, the Departmental Manager in consultation with the Chief Financial Officer shall:-
 - (a) in the case of operating expenditure, report as soon as possible to the Standing Committee concerned and nominate equivalent reductions; or

- (b) in the case of capital expenditure, report as soon as possible to the Standing Committee concerned, and recommend a reallocation of expenditure, having regard to priority ratings, full costs including operating expenditure, funding sources and the limit of the total approved Capital Budget.

Any such expenditure must be appropriated in an adjustments budget.

- 6.4 No person shall commit the municipality to any authorised expenditure without completion of an official requisition or order, which must be submitted to the Chief Financial Officer immediately upon completion. The Chief Financial Officer shall determine the information to be supplied on such requisition or order.
- 6.5 Should a 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 Departmental Manager who shall report the increase to the Standing Finance Committee.

7. CAPITAL EXPENDITURE

7.1 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) Clearance has been obtained from the Chief Financial Officer for accounting purposes prior to incurring any expenditure.
- (d) The relevant project has been approved by Council for the commencement of incurring expenditure.

7.2 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/Speaker 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.

8. CREDITORS AND PAYMENTS

8.1 The Chief Financial Officer shall be responsible for the payment of all duly certified accounts due by the Council within 30 days of receiving the relevant invoice or statement,

unless prescribed otherwise for certain categories of suppliers. Maximisation of settlement discounts shall guide the actual date of payment.

- 8.2 The Chief Financial Officer is responsible for ensuring that there is an overall effective creditor payment system in operation and Departmental Managers are responsible for making sure that such an effective system operates within their respective departments.
- 8.3 Prior to a payment request for goods or services being issued, appropriate checks must be made by the relevant departmental official, to ensure that:
- The supplier is registered on the creditor's database;
 - The work, goods or services have been received, carried out and checked according to the original order and to the required quantity and quality;
 - The prices, calculations, discounts, other allowances, credits and VAT are correct;
 - Where necessary the goods or services have been recorded in inventories, Stores records or stock books;
 - The invoice has not already been paid, and it is the Council's responsibility to pay it;
 - Sufficient budgetary provision exists in the affected Department's Budget;
 - Correct authority for payment exists and is indicated on the voucher;
 - In the case of an SMME or BEE business, there is an indication to that effect on the voucher;
 - The supplier number and vote number are clearly indicated.
 - Municipal VAT details appear on supplier invoices.
- 8.4 Invoices should be original documents that comply with VAT regulations. Photocopied invoices shall not be accepted. Where a copy of an invoice is accepted, such invoice must be certified as not having been previously paid.
- 8.5 In the event of an original invoice and payment voucher being lost, a duplicate may be submitted for payment. Such duplicate invoice must be clearly marked 'duplicate', clearly endorsed by the supplier and attached to a voucher indicating the reasons for submitting the duplicate.
- 8.6 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. Departmental Managers 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.
- 8.7 An authorised payment request voucher submitted for processing a payment, shall contain the following:
- a) Properly completed details, and
 - b) a "Goods Received Advice" which is attached to the payment request voucher.
- 8.8 Sundry Payment Vouchers submitted for processing a payment shall contain the following:
- a) Properly completed details, and
 - b) A Tax Invoice or Invoice which is attached to the sundry payment voucher.
 - c) Copy of relevant approval, i.e. Council, Mayor, Municipal Manager, etc.
- 8.9 Trade Creditors Payment Vouchers submitted for processing a payment shall contain the following:
- a) Properly completed details

- b) Goods Received Advice (Delivery note)
 - c) Tax invoice / Invoice and supplier statement
- 8.10 Sundry 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.
- 8.11 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 and the function of ordering and requisitioning goods. 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.
- 8.12 The Requisition / Payment will require details of the cost centre 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 vote number and that the expenditure is being charged to a budget under his/her control.
- 8.13 All Departmental Managers 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 must be notified of such arrangements in order to record such arrangements on the Authorised Signatory List.
- 8.14 The Chief Financial Officer is responsible for authorising designated cheque signatories within the Budget & Treasury Office, which shall be communicated to the bankers of the municipality.
- 8.15 Reconciliations between the supplier statement and the creditor's ledger must be prepared for each creditor on a monthly basis. This reconciliation should be reviewed for completeness and accuracy by a senior independent person and signed as evidence of review.
- 8.16 The creditor's control account should be reconciled to the creditor's age analysis on a monthly basis. Reconciling items should be cleared timeously.

9. SALARIES, WAGES AND ALLOWANCES

- 9.1 The Chief Financial Officer shall be responsible for the calculation and payment of salaries, wages and allowances in accordance with Council's approved Salary Scales.
- 9.2 Payment shall be made in accordance with pay sheets approved by the Chief Financial Officer to a nominated bank account of the employee or Councillor.

- 9.3 The Chief Financial Officer shall be informed by the Departmental Manager: Human Resources, relevant Departmental Managers or the Municipal Manager of all appointments, promotions, dismissals, resignations, transfers, absences for any reasons, and all matters affecting the emoluments of employees of the Council. The submission of such information to the Chief Financial Officer shall be in such form and at such dates and times as the Chief Financial Officer may determine from time to time.
- 9.4 The Chief Financial Officer shall maintain all records essential for the accurate determination of emoluments of employees of the Council. These records shall be in such form as the Chief Financial Officer may determine from time to time and in compliance with audit requirements.
- 9.5 The payroll system should be reconciled to the General Ledger on a monthly basis. The reconciliation should be reviewed for correctness and signed as evidence of review. Reconciling items must be cleared timeously.

10. PETTY CASH PURCHASES

- 10.1 Purchases by petty cash may only be done in accordance with the prescriptions of the Petty Cash Policy as determined by the Chief Financial Officer.
- 10.2 Petty Cash purchases shall be subject to a transaction limit as determined by the Chief Financial Officer from time to time.

11. ASSET MANAGEMENT

- 11.1 Each Departmental Manager shall be responsible for the management, maintenance, security and control of all assets, either fixed or movable, allocated to, or obtained for the execution of their functions.
- 11.2 In consultation with the Asset Manager and the Chief Financial Office, every Departmental Manager shall maintain an adequate asset management system to account for all assets under the control of the Department and shall undertake regular asset verification exercises to ensure the existence and condition of such assets.
- 11.3 Overall accounting control of all assets shall be exercised by the Chief Financial Officer who will determine the appropriate records, charges for the use of such assets and other incidental matters in consultation with the Departmental Manager concerned.
- 11.4 Each Departmental Manager shall be responsible for all inventories of furniture, equipment and other movable property with a life expectancy of more than one year under the Department's control showing quantities and values.
- 11.5 Each Departmental Manager shall inform the Chief Financial Officer of all new assets procured and annually, upon request from the Chief Financial Officer, update such records with relevant values for insurance purposes

12. DISPOSAL OF ASSETS

The disposal or letting of assets, including unserviceable, redundant or obsolete assets shall be dealt with in terms of the conditions of the Supply Chain Management Policy and the Asset Disposal Policy.

13. CREDIT RATING

- 13.1 All Departmental Managers shall at all times apply sound administration within their Departments and observe budget parameters and target levels to ensure that the credit rating status of the Council is not adversely affected.
- 13.2 The Chief Financial Officer shall be responsible to engage a reputable credit rating agency to perform a credit rating on an annual basis.

14. INVESTMENTS

- 14.1 All funds of Council shall be dealt with in accordance with Council's Cash Management and Investment Policy.
- 14.2 The Chief Financial Officer shall determine the cashflow requirements of the municipality on a regular basis. Departmental Managers shall supply such information with regard to capital expenditure as may be required by the Chief Financial Officer in order to determine the cash flow needs.
- 14.3 The Chief Financial Officer shall be responsible for the investment of Council's funds in accordance with the conditions of the Cash Management and Investment Policy

15. RISK MANGEMENT AND INSURANCE

15.1 RISK ADVISORY COMMITTEE

- 15.1.1 Each Departmental Manager shall regularly assess the risks associated with that Department and shall develop a suitable strategy and action plan to address and mitigate such risks. Such strategies and action plans shall be discussed and monitored by a Risk Advisory Committee.
- 15.1.2 The Municipal Manager shall appoint the chairperson of the Risk Advisory Committee
- 15.1.3 The appointed chairperson shall be responsible to convene meetings of the Risk Advisory Committee at least on a quarterly basis. The minutes of these meetings shall be presented by the chairperson as an agenda item to the Departmental Manager's committee.
- 15.1.4 All Departmental Managers are responsible to appoint a suitable representative to represent him / her on the Risk Advisory Committee

15.2 INSURANCE

- 15.2.1 The Chief Financial Officer shall be responsible for the management of the Council's insurance arrangements, covering such risks as the Council may from time to time determine.
- 15.2.2 The Chief Financial Officer shall report to the Mayor/Speaker annually, or when deemed necessary from time to time, regarding the adequacy or otherwise of the arrangements.
- 15.2.3 The Chief Financial Officer shall be responsible for reviewing and renegotiating cover through the insurance brokers appointed by the Council as agents for that purpose.
- 15.2.4 The Council's insurance brokers shall be procured by public tender in terms of the Supply Chain Management Policy for a determined period and shall be responsible for negotiating all Council's external short-term insurances.
- 15.2.5 The Chief Financial Officer shall also be responsible for the placing of insurances as approved by the Council from time to time. Insurance contracts must be drafted, signed by both parties of the agreement and should reflect monthly premiums.
- 15.2.6 Annually before 1 July, the Chief Financial Officer shall provide Departmental Managers with schedules of all insured items stating their insured value and the premium for the following year.
- 15.2.7 Departmental Managers shall be responsible for ensuring that the insurance cover in respect of those assets under their control is sufficient, having regard to the current value and replacement costs of those assets, and shall notify the Chief Financial Officer without delay of any new insurable risk or any alteration in an existing insurable risk which has arisen in connection with the department.
- 15.2.8 On the occurrence of any event giving rise or likely to give rise to a claim by or against the Council or against its insurers, the Departmental Manager concerned shall notify the Municipal Manager (with a copy to the Chief Financial Officer) of that event, and the Chief Financial Officer shall as soon as possible notify the Council's insurer.
- 15.2.9 Departmental Managers shall within 30 days of the claim arising, notify the Chief Financial Officer of any potential third-party claim, or of fire damage to or loss of the Council's property or of any injury to employees of the Council where such matter is or might be covered by insurance. In the case of third-party claims this is of utmost importance as any delay or failure to report an occurrence can prejudice the Council's rights. Any claims not reported within 90 days of the occurrence will be rejected by the Chief Financial Officer.
- 15.2.10 Insurance claims shall only be processed by the Chief Financial Officer where confirmation of the insured damage and a request for reimbursement or re-

instatement has been authorised by the affected Department and received by the Chief Financial Officer.

- 15.2.11 The Chief Financial Officer, with the support of the Council's legal division shall be responsible for the negotiation of claims and the collection of all moneys payable to the Council under or in pursuance of any policy of insurance.
- 15.2.12 Reports and claims externally and internally shall be investigated if the Chief Financial Officer considers such action desirable, and settlement shall be effected by the Chief Financial Officer when the Chief Financial Officer is satisfied that the Council is liable to pay the claim.
- 15.2.13 The Chief Financial Officer shall maintain a register in which particulars of all insurance policies held by the Council shall be entered.
- 15.2.14 The Chief Financial Officer shall be responsible for the payment of all insurance premiums.
- 15.2.15 A register of all claims made should be kept, this should nature of claim, date submitted to insurers, value of claim, claim number, proceeds received and date of receipt. A monthly reconciliation should be prepared between claims submitted and claims paid, which is reviewed by an independent senior person.

16. LOANS

- 16.1 The Chief Financial Officer shall be responsible for the raising of loans as may be required from time to time, on such terms and conditions as may be approved by Council and in terms of the stipulations as determined by Section 46 of the MFMA.

17. ACCOUNTING

- 17.1 The Chief Financial Officer shall determine the format, standards and systems applicable to the financial accounting procedures, and shall in doing so take cognisance of Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practices (GRAP), and guidelines issued by National Treasury and any requirements of the Auditor General.
- 17.2 The Chief Financial Officer shall ensure that proper accounting records and registers are opened and maintained. The Chief Financial Officer shall prescribe the requirements for access to electronic accounting systems and shall maintain the necessary security and password systems for this purpose.
- 17.3 The Chief Financial Officer shall prepare the financial statements in the format determined in Clause 17(1), and any supporting detail as required. Such Financial Statements shall be prepared and submitted to the Auditor-General within two months after the end of the applicable financial year to which the statements relate.

- 17.4 The annual financial statements shall be submitted through the Standing Finance Committee and Mayor/Speaker to Council by the Chief Financial Officer. The Auditor General's reports on the Financial Statements and Performance Auditing shall be submitted to the Council as prescribed by legislation.
- 17.5 No revenue collection, accounting, costing or other financial systems shall be introduced in any Department and no alteration shall be made to any existing system without the prior approval of the Chief Financial Officer.
- 17.6 The Chief Financial Officer shall determine the most appropriate computer software system that will best provide for the financial systems of the municipality and shall do so in consultation with the IT Manager to ensure compatibility with hard ware systems.
- 17.7 No statement, provision or obligation contained in any of these clauses shall in any way detract from the responsibility of each Departmental Manager to maintain any costing and accounting system controlled by a Departmental Manager in such a manner that at all times the accounting records and registers reflect the complete financial position of the function concerned as accurately as possible.

18. AUDIT MATTERS

18.1 AUDIT COMMITTEE

- 18.1.1 Council shall appoint an Audit Committee in terms of Section 166 of the MFMA. An Audit Committee must consist of at least three persons with appropriate experience of who the majority may not be in Council's employ. The Audit Committee must be appointed by Council and one of the members not in the employ of Council must be appointed as Chairperson. The Audit Committee must meet at least four times a year.
- 18.1.2 The Audit Committee, after consultation with the Municipal Manager, shall be responsible for co-ordinating the functions of the external and internal audit activities and shall have unrestricted access to all Council records, documents and information.
- 18.1.3 Regarding external audit matters, the Audit Committee shall -
- (a) be available to consult in the appointment of external auditors and the audit fee as decided by the Auditor General;
 - (b) assess the planning, scope and audit approach for doing the audit;
 - (c) review all audit management letters and responses submitted by management; and
 - (d) review the Report of the Auditor General on the financial statements, the response of the Chief Financial Officer and any other reports issued by the Auditor General.
- 18.1.4 Regarding internal audit matters, the Audit Committee shall -

- (a) ensure that an annual internal audit plan is prepared;
 - (b) maintain the independence of the audit function
 - (c) consider the major findings of internal audit investigations and evaluate management's response thereto as well as weaknesses in internal controls
 - (d) ensure that quarterly reports are received from the Manager: Internal Audit
 - (e) monitor/evaluate activities of the Audit Steering Committee pertaining to the co-ordination of the internal and external audit functions and to ensure the maximisation of resources.
- 18.1.5 On an ongoing basis the Audit Committee shall review financial control measures, the accounting system and reporting standards, and consider proposals for improving the efficiency, effectiveness and economy of Council's operations.
- 18.1.6 In addition to approving the internal audit plan, the Audit Committee is authorised to request the Internal Audit Division to investigate any other matters which, in its opinion, require attention.
- 18.1.7 The Audit Committee shall annually submit a report to Council on its activities during the year.
- 18.1.8 If at any time, in the opinion of the Audit Committee, a matter must be brought to the notice of the Council, a report in this regard must be submitted to the Municipal Manager with the request that it be submitted to the Council.

18.2 INTERNAL AUDIT

- 18.2.1 The Internal Audit Division of the Council shall prepare and execute the annual internal Audit Plan approved by the Audit Committee. It shall also perform such duties and conduct such investigations as may be required by law, by Council, the Municipal Manager or the Audit Committee. It shall further, on an ongoing basis, review the internal control systems in all Departments and make recommendations on changes and improvements as they may deem necessary.
- 18.2.2 Performing such duties or conducting such investigations, the staff of the Internal Audit Division shall be given access to any departmental records required for the purpose of the audit and the Departmental Manager and every official thereof shall upon request by the Manager: Internal Audit supply such information as may be required.
- 18.2.3 Departmental Managers shall within reasonable time, submit appropriate responses to matters raised by the Internal Audit Division and shall institute all necessary steps to ensure shortcomings are adequately addressed. In instances where Departmental Managers fail to respond appropriately to the Internal Audit Division on matters raised by them, the Manager: Internal Audit shall report such cases to the Municipal Manager for appropriate action.
- 18.2.4 The Manager: Internal Audit shall report to the Municipal Manager on the results of all investigations, and unless obliged by law, or by resolution of the Council or any Standing Committee thereof, the Municipal Manager shall when considered necessary submit such report to the Audit Committee and/or the Mayor/Speaker.

- 18.2.5 The Manager: Internal Audit shall submit a quarterly report via the Municipal Manager to the Audit Committee on the activities of the Internal Audit Division.

18.3 EXTERNAL AUDIT

- 18.3.1 Staff of the Auditor-General shall be allowed access to all systems, documentation and records which they require for the performance of their Audit function and Departments shall provide all required documents, records and information within reasonable time to the Auditor-General.
- 18.3.2 Departmental Managers shall assist the staff of the Office of the Auditor General by providing information to the satisfaction of the Auditor-General.
- 18.3.3 Departmental Managers shall provide adequate responses to audit queries raised by the Office of the Auditor-General within the agreed time frames.

19. INFORMATION SYSTEMS

- 19.1 The centralised corporate information systems allocated to the Departmental Manager: Corporate Administration shall be maintained in such a way as to ensure the integrity and security of the systems and data.
- 19.2 The Departmental Manager: Corporate Administration shall take all reasonable measures to ensure adequate backup of programmes and data for recovery purposes of the financial information of the municipality.
- 19.3 All program changes shall be recorded for audit purposes and be authorised by the Departmental Manager: Corporate Administration or his/her delegated representatives.
- 19.4 A suitable disaster recovery plan shall be prepared and maintained by the IT Manager in consultation with the Chief Financial Officer and other relevant Departmental Managers, to cover all relevant aspects so as to maintain business continuity in the event of a disaster. The plan shall be approved by Council and be subject to a triennial review as part of the overall corporate plan.
- 19.5 Departmental Managers shall ensure that all reasonable steps are taken to prevent hardware and software from being infected by viruses. All work stations shall be supplied with the recommended software to assist in providing the necessary protection. This software must be active when the hardware is in operation.
- 19.6 Information systems of any nature which generate financial results used to cost or estimate expenditure for recovery from third parties or which quantify levies, tariffs and other fees and charges must be certified by Internal Audit. Internal Audit must ensure that random certification is undertaken on amendments to the systems.

20. REPORTS REFLECTING FINANCIAL IMPLICATIONS

- 20.1 No standing committee, task team or subcommittee established by Council shall consider any report with financial implications until the Departmental Manager concerned has afforded the Chief Financial Officer a reasonable opportunity, which shall not be less than

three working days before the closing date of the relevant agenda, of submitting financial comments on the matter.

- 20.2 The Departmental Manager: Corporate Administration shall ensure that all reports contain the comments of the Chief Financial Officer as required in Clause 20(1) and if such comments were not obtained from the Chief Financial Officer by the Departmental Manager concerned, the report shall not be included in the relevant Committee agenda.
- 20.3 Projects likely to have a substantial financial impact on the Budget (capital or operating, income or expenditure) must reflect alternative courses of action, the most beneficial alternative, the financial impacts and operating budget consequences, before a project is approved by Council for inclusion in any budget.
- 20.4 Any proposed amendment of any policy or by-law with financial implications shall be referred by the Departmental Manager concerned to the Chief Financial Officer for comment before consideration by any standing committee.

NOTE: Any reference in this Policy to Departmental Managers may be read as Directors, Heads of Departments, Office Managers, Senior Managers or their delegated officers.