



# MAKHADO LOCAL MUNICIPALITY

## DRAFT EXPENDITURE MANAGEMENT POLICY, 2024/2025

(Approved by Council Resolution A.76.31.05.23)

*Vision: "A dynamic hub for socio-economic development by 2050"*

*Mission: "To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism"*

### **Values**

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
3. Dynamic (Energetic, Lively, Self-Motivated)
4. Culpability (Accountability and Responsibility)
5. Efficacy (Effectiveness and Efficiency)
6. Adeptness (Expertise and Proficiency)

### **Seven (7) Strategic Objectives**

1. Promote Community Participation and Environmental Welfare
2. Invest In Local Economy
3. Advance Spatial Planning
4. Invest in Human Capital
5. Good Governance and Administrative Excellence
6. Sound Financial Management and Viability
7. Accessible Basic and Infrastructure Services

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## 1. **PREAMBLE**

- ❖ The Municipality must at all times manage its cash and other assets in compliance with the provisions of any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003 especially the requirement of safeguarding the assets of the Municipality.

## 2. **EXPENDITURE MANAGEMENT**

### 2.1 OBJECTIVES

- ❖ To promote accountability and compliance with Municipal Finance Management Act 56 of 2006 on payments made by the municipality.

### 2.2 POLICY PRINCIPLES

#### 2.2.1 PAYMENTS TO CREDITORS

- ❖ The Chief Financial Officer must 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. The municipality will strive to ensure that all payments to creditors are made within 30 days of receiving the invoice.
- ❖ The Accounting Officer has the powers to delay payments beyond 30 days on negotiations with the creditors should the municipality be unable to pay due to any challenges that may be faced by the municipality.
- ❖ All payments vouchers must be sequentially filled and stored in a secured room. The Manager Expenditure must be in possession of the keys to the room or any other responsible official delegated by him/her.
- ❖ Payments must only be made on the days and/or dates indicated on the payment schedule approved by the Chief Financial Officer unless prior approval to effect payments on the different date is obtained from the Accounting Officer.
- ❖ No payments shall be effected prior the approval of the payment vouchers by the Chief Financial Officer.

#### 2.2.2 MONTHLY RECONCILIATIONS

- ❖ The following monthly reconciliations must be prepared on monthly basis and signed by the preparer and the Chief Financial Officer.

##### 2.2.2.1 Creditors Reconciliations

- ❖ Monthly creditors reconciliations with the relevant supporting documentations must be prepared on a monthly basis and signed by the Chief Financial Officer as evidence of review.

##### 2.2.2.2 Vat Reconciliations

- ❖ Monthly vat reconciliations with the supporting documentations indicating the vat due or refundable to the South African Revenue Services (SARS) must be prepared and provided to the Chief Financial Officer for review and signature.

- ❖ All the invoices supporting the vat input and output on the vat reconciliations must be kept and readily available for submission to SARS and/or auditors on request.

#### **2.2.2.3 Salaries Reconciliations**

- ❖ Reconciliations of the monthly salaries related transactions between the General Ledger and the VIP system must be prepared on monthly basis and provided to the Chief Financial Officer for review.

### **2.2.3 RECONCILIATIONS BETWEEN CASHBOOK AND BANK STATEMENTS**

#### **2.2.3.1 Payments reconciliations**

- ❖ Expenditure section must on each day following the date payments were made reconcile the cashbook and the bank specifically on the expenditure payments made and clear all the discrepancies identified by passing the relevant journal entries were required.
- ❖ The payments to creditors reflected on the bank statements must be recorded on the cashbook before the end of each monthly and properly reconciled.

#### **2.2.3.2 Procedure for writing-off of long outstanding reconciling items**

- ❖ Unreconciled income and expenditure related transactions on the cashbook and the bank statements older than two (2) months must be thoroughly investigated and report of such investigation must be reviewed and signed off by the Chief Financial Officer as evidence of review.  
The Chief Financial Officer must recommend to the Accounting Officer for write off of the reconciling items investigated with the proposed accounting entries for such write off.
- ❖ On approval of the write off by the Accounting Officer the relevant accounting entries must be processed by the Chief Financial Officer on the General Ledger and clear the transactions from the bank reconciliation.
- ❖ The detailed supporting documentations of the write off should be safeguarded for future reference.

### **2.2.4 FRUITLESS AND WASTEFUL EXPENDITURES**

- ❖ Notwithstanding any provisions in this policy section 32 of the Municipal Finance Management Act must take precedence in dealing with the wasteful and fruitless expenditures incurred by the municipality during any financial year.
- ❖ Fruitless and wasteful expenditures incurred by the municipality at any time during the financial year must be reported to the council, Auditor General and the Provincial Treasury prior to the end of that financial year in terms of the MFMA Act 56 of 2003 requirements.
- ❖ The register of all fruitless and wasteful expenditures must be kept and updated from time to time with the expenditures of such nature.

### 2.2.5 RETENTION

- ❖ Expenditure section must maintain a retention register and record retention on each payment made to the projects that attract retention. Monthly reconciliation of the retention register and the General Ledger must be prepared and signed off by the CFO as evidence of review.
- ❖ The retention policy must form part of the supporting documentations to be filled with the vouchers that attracted retention in the separate file for retentions in the specific financial year.

## 3. PETTY CASH MANAGEMENT

### 3.1 OBJECTIVES

- ❖ To provide for keeping of limited cash resources in the form of Petty Cash in order to fulfill incidental and spontaneous transactions that is undertaken by the municipality in the normal course of the operations.

### 3.2 POLICY PRINCIPLES

- ❖ The petty cash of the municipality must be kept at the minimum level required to finance the day to day operation of the municipality. For this purpose a daily, monthly and annual cash flow forecast are required.
- ❖ A maximum threshold of R15 000, or any other amount as the council may from time to time determine, must be applicable to be the maximum cash to be held in relation to minor disbursements by the council.
- ❖ Disbursements from the petty cash must not exceed R2000, or any other amount that the council may determine from time to time.

### 3.3 REPLENISHMENT OF PETTY CASH

- ❖ Petty cash replenishment must be considered once a month, unless directed otherwise by the **Chief Financial Officer** or his / her delegate anytime sooner before the end of the month.
- ❖ A comprehensive Petty Cash Reconciliation must be prepared and appropriately balanced before it is presented to the Chief Financial Officer for approval and in order to authorise replenishment of Petty Cash.
- ❖ A cash cheque equivalent to the amount authorized by the **Chief Financial Officer** or his Delegate to replenish petty cash must be drawn and cashed by the Petty Cash Custodian in order to have cash on equivalent to R15000 in the municipality

### 3.4 USING THE PETTY CASH (EXPENDITURE)

- ❖ All expenditures that are to be reimbursed with petty cash funds are to be preapproved by the fund custodian. A receipt to verify the purchase and payment must support expenditures from the fund. It is responsibility of the fund custodian to determine if the transaction meets the requirements as set forth in this policy.

- ❖ At the time the Expenditure is made, invoices/ receipts/ vouchers (in the name of the Municipality) or other document, such as a cash register receipt containing the following, must be obtained:
  - ❖ Date
  - ❖ Name of vendor
  - ❖ Positive evidence that a payment was made (i.e., a cash register receipt or handwritten receipt on which the word "Paid" appears)
  - ❖ The amount paid
  - ❖ A description of the goods purchased
  - ❖ A signature indicating receipt of goods
  - ❖ The fund custodian's signature documenting approval of expenditure.
  - ❖ An explanation of the purchase justifying the relevance of each purchased item
  - ❖ The purchase must be supported with cash register receipt. A hand written receipt will be acceptable in circumstances when a cash register receipt is not available. The vendor must sign the receipt, and the vendor's telephone number must be provided on the receipt. In all cases, adequate documentation justifying the purchase is required.
  
- ❖ All petty cash vouchers/ receipts must be attached on a requisition form and must be added and the forms must be signed as verification.

### 3.5 PREPARATION FOR PAYMENTS: VOUCHER (INTERNAL)

- ❖ Once payment has been approved, the expenditure department must complete and sign a voucher authorizing payment and record the transactions in accounting records.

### 3.6 INTERNAL CONTROLS OVER PETTY CASH

- ❖ The Chief Financial Officer (CFO) must be responsible for the maintenance of petty cash for the municipality. The Chief Financial Officer may delegate the duties of maintenance of petty cash to the **Senior Clerk Creditors** or any other authorized municipal official who should be independent of other functions in the Municipality.
- ❖ Petty Cash must be kept in a lockable box. The access of the office where petty cash is restricted only to authorized personnel and access to the keys must be strictly controlled by the Chief Financial Officer or his/her delegate. The petty cash box should be locked in a safe after office hours.
- ❖ A "surprise" petty cash count must be conducted at least once a month by an official designated by the Chief Financial Officer. A "formal" petty cash count must be conducted at year end and the account must be balanced and reconciled to the General Ledger Account accordingly.
- ❖ Petty Cash will only be issued upon receipt by the **Senior Clerk Creditors** designated for petty cash of properly authorizes petty cash voucher with supporting documents.
- ❖ Petty Cash reconciliation to the general Ledger should be performed on monthly basis and reviewed by the Chief Financial Officer, who should sign or initial the reconciliation as proof of having reviewed it.

### 3.7 SALARIES ADMINISTRATION EMPLOYEES AND COUNCILORS

- ❖ Salary section receive inputs on a monthly basis, over time submission closes on the 10th of each month and travel claims submission on the 15th of each month

#### Source documents used

- ❖ To add new employees on the VIP system (ST2 forms from HR)
- ❖ To terminate employees (EXIT forms from HR)
- ❖ Long service payments & unpaid leave (Leave forms from HR)
- ❖ Overtime payments (overtime files from records and application for payment of overtime forms)
- ❖ Standby allowance (Standby forms from records)
- ❖ Payment of service workers (Time sheets)
- ❖ Garnishee deductions (Garnishee files from records)
- ❖ Acting allowance (Acting allowances letters)
- ❖ S & T Payments prepared by senior clerk costing
- ❖ Telephone & cellphone deductions prepared by Senior Clerk costing
- ❖ Medical aid billings from medical funds
- ❖ Home loans billings from housing schemes
- ❖ Banking details changes forms from HR
- ❖ Travel logbooks from officials
- ❖ All this information must reach salary section before or on the 15th of the month.
- ❖ After capturing the information on VIP system, then the VIP system is closed to stop further entries on the system.
- ❖ Variance Report is printed to check variances.
- ❖ Company Recon is printed and checked
- ❖ The variance report and company recon are signed to certify the correctness of payroll by Accountant Salaries, Manager Expenditure and Directors
- ❖ Then the salary information is exported to Banking system for payment to employees
- ❖ Payslips are distributed to employees
- ❖ Salary is paid on the 25th of the Month

#### PROJECT WORKERS

- ❖ Time sheets are completed by supervisors of project workers and submitted to salary office
- ❖ Salaries section calculate the amount to be paid to each project worker (multiply the number of days by the rate per day )
- ❖ Remuneration list is printed and checked
- ❖ Then the salary information is exported to Banking system for payment to project workers

- ❖ Payments done on the last day of the month

### **WARD COMMITTEES**

- ❖ DEPT of Corporate Services (Speakers Office ) prepare requisitions with list of ward committees
- ❖ The requisition is input on the VIP system
- ❖ Ward Committees payments is done on the 07th of every month

### **THIRD PARTY PAYMENTS**

- ❖ Third party payments are done at month end and on the 7th of the following month

### **3.8 REPORTING**

- ❖ A monthly Petty Cash reconciliation report must be provided within 7 working days after month end to the Chief Financial Officer including:
  - i) The total amount of petty cash purchases for that month and
  - ii) Receipts and appropriate documents for each purchase.
  - iii) Copy of the cheque supporting the replenishments done during the months.

### **3.9 IMPLEMENTATION AND REVIEW OF POLICY**

- ❖ This policy shall be implemented from the date of approval by Council and shall be reviewed on annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

### **EFT PAYMENT PROCEDURE MANUAL**

- ❖ Attached (Annexure A) to this policy is the EFT payment procedure manual

### **AUTHORIZED BY SIGNATURE**

I, THE UNDERSIGNED, CLLR M D MBOYI, SPEAKER, HEREBY CERTIFY THAT THIS EXPENDITURE MANAGEMENT POLICY, 2023/2024 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 582<sup>nd</sup> EXECUTIVE COMMITTEE MEETING HELD ON 31 MAY 2023 AND APPROVED BY COUNCIL AT ITS 174<sup>th</sup> SPECIAL MEETING HELD ON 31 MAY 2023 UNDER COUNCIL RESOLUTION A.76.31.05.23.

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CLLR M D MBOYI

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DATE