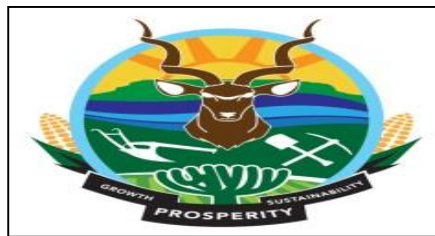


MODIMOLLE-MOOKGOPHONG LOAL MUNICIPALITY



EXPENDITURE MANAGEMENT POLICY AND PROCEDURE MANUAL FINANCIAL YEAR 2024/25

1. ABBREVIATIONS

CFO – Chief Financial Officer

MM- Municipal Manager

CM – Council Minute/s

IDP – Integrated Development Plan

MBRR – Municipal Budget Reporting Regulations

MFMA – Municipal Finance Management Act, Act No. 56 of 2003

MSA – Municipal Systems Act, Act No.32 of 2000

MSTA – Municipal Structures Act

MTREF – Medium term revenue and expenditure framework

SDBIP - Service delivery and budget implementation plan

2. DEFINITION.

"**Accounting Officer**" a person appointed in terms of section 54A of the Municipal System's Act and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA.

"**Approved budget**" the annual budget approved by a municipal council and includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

"**Basic Municipal Service**" a municipal service that is necessary to ensure an Acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

"**Capital Budget**" the approved budget for capital items in each fiscal period.

"**Capital items**" capital assets with a life expectancy of more than one financial year such as property, plant and equipment, intangible assets, heritage assets and investment properties and of which the cost is normally written off over a number of fiscal periods.

"**Chief Financial Officer**" a person designated in terms of section 80(2) (a) of the MFMA.

"**Council**" the municipal council of the Modimolle Mookgophong Local Municipality and it referred to in section 18 of the Municipal Structures Act.

"**Councilor**" a member of council;

"**Creditor**" a person to whom money is owed by the municipality;

"**Current year**" the financial year, which has already commenced, but not yet ended;

"**Quarter**" means any of the following periods in a financial year –

- a) 1 July to 30 September refer to as the 1st quarter;
- b) 1 October to 31 December refer to as the 2nd quarter;
- c) 1 January to 31 March refer to as the 3rd quarter; or
- d) 1 April to 30 June refer to as the 4th quarter;

"**Delegation**" the power to perform a function or duty which is given to office bearer, councillor or staff members either in terms of section 59 of the MSA or section 79 of the MFMA;

"**Generally recognized accounting practice (GRAP)**" an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

"**Financial year**" a twelve-month period commencing on 1st July and ending on 30th June each year;

"Financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase agreement in terms whereof the municipality undertakes to repay a long-term debt over a period of time;

"Long-term debt" debt repayable over a period exceeding one year;

"Mayor" the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structure Act

"Municipality" The Modimolle Mookgophong Local Municipality;

"Official" –

- (a) An employee of the municipality;
- (b) A person seconded to the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) A person contracted by the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"Overspending" –

- (a) (a) 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, 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, causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"Previous financial year" the financial year preceding the current year;

"Senior Manager" all officials reporting directly to the Accounting Officer as

Contemplated in sect 56 of the MSA;

"Service delivery and budget implementation plan" a detailed plan approved by the mayor of the municipality, in terms of section 53(l) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services;

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

"Vote" one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different directorates of the municipality and which specifies the total amount that is appropriated for the purposes of the directorate concerned.

"Vote holder" means the senior manager to which the vote is assigned.

"Central Supplier Database" means the national standardized and centralized Electronic supplier database administered by the National Treasury which provides supplier information to an organ of state;

"Unauthorized expenditure" means any expenditure incurred by a municipality otherwise than in accordance with sections 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;

3. INTRODUCTION

- 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 the 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.

4. OBJECTIVE

The objective of the Expenditure policy is to:

- a) Set out a framework for the municipality to deal with:
 - i. All expenditure related transactions;
 - ii. 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 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 municipality.

5. EXPENDITURE MANAGEMENT

5.1 Withdrawals from a bank account

- 5.1.1. Any withdrawal from a bank account in the name of the municipality may only occur in terms of section 11 of the MFMA.
- 5.1.2. All withdrawals must comply with the Cash & Investment Policy of the municipality and shall be signed or authorized by not fewer than two people as delegated by the Accounting Officer.
- 5.1.3. The delegated authority to sign cheques or authorize 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.

5.2 Commitments

- 5.2.1. A commitment by an official of the municipality may only be undertaken on

behalf of a third party when the full costs are recovered in advance before commencement of the work, either specially or generally.

- 5.2.2. Senior Managers shall advise the CFO of the officials authorized to sign requisitions for goods and services in respect of the categories determined and approved by the municipal manager from time to time.
- 5.2.3. Specimen signatures of all officials authorized to sign requisitions shall be supplied to the CFO.
- 5.2.4. Supply Chain Management will keep record of all authorized officials and the specimen signatures.
- 5.2.5. No councilor or official of the municipality shall commit the Municipality to any authorized expenditure unless the necessary Supply Chain Management processes have been followed which include the completion of an official requisition or order.
- 5.2.6. The CFO shall determine the information to be supplied on such requisition or order.

5.3 Creditors

- 5.3.1. 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.
- 5.3.2. 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.
- 5.3.3. All requests for payment, properly certified and accompanied by the relevant invoices and supporting documentation must reach the Expenditure Department at least fourteen days before payments are due.
- 5.3.4. Senior Managers shall sign off all invoices as evidence of delivery and service provision.
- 5.3.5. Invoices or statements submitted for payment to Manager 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.
- 5.3.6. When a department authorizes the payment of accounts the signatory certifies and authorizes 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 exist.
 - e) If excess expenditure is involved, the resolution authorizing the excess expenditure shall be quoted on the voucher.
 - f) Authority for the payment exists, in which case the authority shall be indicated on the voucher; and
 - g) Fruitless and wasteful expenditure has not been incurred.
- 5.3.7. Before payment is processed the expenditure 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.

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

5.3.9. Certain payments may be made from petty cash in accordance with the Supply Chain Policy as amended from time to time.

5.3.10. The procedures in terms of the petty cash policy must be followed in respect of petty cash payments:

5.4 Interest on late payments

5.4.1. No interest will be payable by the Municipality on any late payments unless approved by the CFO and only due to cash flow problems.

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

5.5 Salaries, Wages and Allowances

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

5.5.2. Payment shall be made in accordance with payroll reviewed by the Expenditure Manager to a nominated bank account of the municipal employee or councillor.

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

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

5.5.5. The Director: 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.

5.6 Banking details

5.6.1. 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 and the banking details are the same as those on the CSD.

5.7 Grant Expenditure

5.7.1. A proper cash flow in respect of Grant expenditure related to the Grant Funding plan must be drawn up by the relevant director and included in the budget.

- 5.7.2. No payments will be allowed in respect of projects to be financed from external grants unless grant funding have been received.
- 5.7.3. 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.
- 5.7.4. The relevant directorate must obtain approval for bridging finance, as referred to in subparagraph 5.7.3.

5.8 Capital Expenditure

- 5.8.1. No capital expenditure shall be incurred or committed to any project unless:-
 - (a) Duly appropriated in an approved capital budget or adjustments budget; and
 - (b) 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 municipality

5.9 Accounting Principles

- 5.9.1. The CFO shall determine the format, standards, and systems applicable to the accounting procedures on expenditure. In doing so cognizance must be taken of the General Recognized Accounting Practices (GRAP) guidelines issued by the Accounting Standards Board (ASB).
- 5.9.2. Council items related to financial matters, will not be forwarded to Council if it is not supported with the necessary comments from the CFO.
- 5.9.3. The CFO shall ensure that proper accounting records and registers are opened and maintained in compliance with subsection 5.9.1.
- 5.9.4. The CFO may prescribe the requirements for access to electronic accounting systems and shall ensure that the necessary security and password systems for this purpose is maintained.
- 5.9.5. Relief, charitable, trust or other funds
 - 5.9.5.1. In terms of section 12 of the MFMA read together with section 12 of the MBRR the Municipality may not transfer any funds from the Municipality into a fund created in terms of section 12 of the MFMA.
 - 5.9.5.2. The Municipality may incur expenditure in support of the objectives for which the funds were created, if approved in a duly approved budget.
- 5.9.6. Capital Replacement Reserve
 - 5.9.6.1. No direct expenditure may occur against the fund.
 - 5.9.6.2. All expenditure must be included in a duly approved budget and incurred via the Supply Chain Management Policy of the Municipality.
 - 5.9.6.3. Capital items to be financed from the Capital Replacement Reserve

(CRR) must be encountered with a contribution equal to the expenditure and transferred from the CRR to Accumulated Surplus and recorded as such in the SOCNA.

5.9.7. Other Provisions

5.9.7.1. Expenditure incurred is only allowed as a direct allocation to any provision, where the necessary cash provision has been made in the cash flow budget of the Municipality as duly approved.

5.9.7.2. All expenditure must be incurred via the Supply Chain Management Policy of the Municipality.

5.10 Recovery of Losses

5.10.1. Any loss suffered by the Municipality due to any fraudulent or corrupt act or an act of bribery shall be dealt with and immediately be reported to the South African Police Service, Auditor-General, Mayor and Accounting Officer in terms of section 32 of the MFMA.

5.10.2. Circumstances of financial misconduct by municipal officials in accordance with section 171 of the MFMA must be reported to the Accounting Officer immediately.

6. UNFORESEEN AND UNAVOIDABLE EXPENDITURE

6.1. Before the Mayor considers any authorization of unforeseeable and unavoidable expenditure in terms of section 29 of the MFMA, the Accounting Officer will ensure that a report is prepared for Mayor to make an informed decision.

6.2. The Mayor may authorize such expenses in an emergency or other exceptional circumstances in terms of section 29 of the MFMA only if:

6.2.1. The expenditure could not have been foreseen at the time the annual budget of the Municipality was passed; and

6.2.2. The delay that will be caused pending approval of an adjustments budget by the municipal council in terms of section 28(2) (c) of the MFMA to authorize the expenditure may –

a) Result in significant financial loss for the municipality.

b) Cause a disruption or suspension, or a serious threat to the continuation of a basic municipal service.

c) Lead to loss of life or significant injury or significant damage to property; or

d) Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

6.3. The Mayor may not authorize expenditure in terms of section 29 of the MFMA if the expenditure –

6.3.1. Was considered by the Council, but not approved in the annual budget or an adjustments budget; or

6.3.2. Is required for-

- Price increases of goods or services during the financial year.
 - New municipal services or functions during the financial year.
 - The extension of existing municipal services or functions during the financial year.
 - The appointment of personnel during the financial year.
 - Allocating discretionary appropriations to any vote during the financial year.
 - would contravene any existing Council policy; or
 - Is intended to ratify irregular or fruitless and wasteful expenditure.
- 6.4. The authorized amount may not exceed 4 % of the approved own revenue included in the annual budget.
- 6.5. The authorization must be reported by the Mayor to the next Council meeting.
- 6.6. The Accounting Officer must ensure preparation of an adjustment to include the expenses within thirty (30) days.
- 6.7. The Mayor must ensure that Council passed the adjustments budget within sixty (60) days after the expenses were incurred.

7. UNAUTHORISED EXPENDITURE, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE

- 7.1. All Unauthorized, Irregular, Fruitless and Wasteful Expenditure will be dealt with in terms of Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings promulgated in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003 read together with Amended Circular 68 issued by Treasury.

8. IMPLEMENTATION

- 8.1. The Accounting Officer, with the assistance of the CFO, Directors, and other Senior Managers, are responsible for the implementation of this policy and must take reasonable steps to ensure that:
- 8.1.1. Funds are spent in accordance with the budget.
 - 8.1.2. Expenditure is not allowed outside the norms and standards set by the MFMA or this policy.
 - 8.1.3. The policy is reviewed annually as part of the review of the other budget related policies.