

# **MODIMOLLE-MOOKGOPHONG LOAL MUNICIPALITY**



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## **POLICY AND PROCEDURE MANUAL**

### **EXPENDITURE MANAGEMENT FINANCIAL YEAR 2023/2024**

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## 1. SCOPE AND PURPOSE

The primary goal of this policy and procedure manual is to provide guidelines in the handling and processing of claims in line with the requirements of the MFMA, Treasury Regulations, Municipal Delegation of Authority, and other enabling financial legislations and prescripts.

### **Definitions**

For the purpose of this policy, the following definitions apply:

#### **“Unauthorised Expenditure”:**

- Overspending of a vote or main division within a vote.
- Expenditure not in accordance with the purpose of the vote, or in the case of the main division, not in accordance with the purpose of the main division.

#### **“Irregular Expenditure”:**

- Expenditure incurred in contravention of or that is not in accordance with requirements of any applicable legislation, including:
  - The MFMA
  - Supply Chain Management Regulations,
  - The Modimolle-Mookgophong Local Municipality Supply Chain Management Policy or any by-laws giving effect to such policy
  - The Municipal Systems Act

#### **“Fruitless and Wasteful Expenditure”**

- Expenditure made in vain and which would have been avoided had reasonable care been exercised.

#### **“Vote”**

- One of the main segments into which a budget of the municipality is divided for the appropriation of money for different departments or functional areas of the municipality, and which specifies the total amount that is appropriated for the purpose of the department or functional are concerned.

#### **“Overspending”**

- When expenditure under the vote exceeds the amount appropriated for that vote or when expenditure under the department exceeds the amount appropriated for that department, resulting in unauthorised expenditure.
- In general, overspending occurs when expenditure exceeds amount budgeted for and becomes unauthorised expenditure only if the municipal budget or budget of a department within municipality is overspent.

## **1.1 The policy and procedure manual allows for:**

- Consistency with regards to treatment of payment claims.
- Serves as a standard of performance where actual results can be measured against policy and procedures to determine their success or failure and possible improvements.

## **1.2 Responsibility of the accounting officer with regards to expenditure management: S65 MFMA**

The accounting officer of municipality is responsible for the management of the expenditure of the municipality and must, among others ensure-

- that the municipality has and maintains an effective systems of expenditure control, including procedures for the approval, authorisation, withdrawal, and payments of funds;
- that the municipality has and maintains a system of internal control in respect of creditors and payments;
- that payments made by the municipality are made-
  - (i) directly to a person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
  - (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only up to a prescribed limit.
- That all money owing by the municipality be paid within 30 days on receipt of relevant invoices or statements, unless prescribed otherwise for certain categories of expenditure.
- That municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments.
- That the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.
- That all financial accounts of the municipality are closed at the end of each month and reconciled with its records.
- that the municipality has and maintains a management, accounting and information system which-
  - (i) recognises expenditure when it is incurred;
  - (ii) accounts for creditors and payments made by the municipality;
- Avoid and report on Unauthorised, irregular, fruitless and wasteful expenditure as soon as it occurs.
- Expenditure on staff, including councillors are reported in line with section 66 of MFMA

## **2. EXPENDITURE MANAGEMENT:**

### **2.1 Underlying activities:**

- Processing of payments in accordance with internal control processes.

- Avoid unauthorised, irregular, fruitless and wasteful expenditure and update the register as soon as such expenditure is detected.
- Record management and custody thereof.
- Accurate, reliable and timely financial information reporting.

### **3. BASIC PRINCIPLES – INTERNAL CONTROL PROCESSES**

#### **3.1 An official may not;**

- Spend, or enter into a commitment to spend public money except with the approval (either in writing or by duly authorised electronic means) of accounting officer or a properly delegated or authorised officer.

#### **3.2 Before approving expenditure or committing to spend municipal funds, the delegated or authorised official must ensure the following:**

- that any limitations or conditions attached to the instrument of delegation or authorisation are complied with;
- that the expenditure or commitment is strictly in accordance with the purpose for which it was voted;
- that the amount of the expenditure or commitment can be met within the monetary limit of the appropriated amount and that it will not give rise to unauthorised, irregular, or fruitless and wasteful expenditure;
- that the purpose of the expenditure will contribute positively to the achievement of the relevant programme's objectives;
- that the expenditure represents best value for money for the municipality;
- that the amount to be paid is correct and that the goods or services have been delivered in accordance with the original approval;
- that payments are made to the correct suppliers.
- progress, or part payment in respect of services rendered or work done shall not be made unless it is supported by a certificate that the amount of the payment is fully covered by the services already rendered or work done.
- that the payment relate to the performance of a contractual obligation or
- Execution of a judgement of a competent court
- Any authorised advance
- All invoices must be accompanied by delivery notes and/or goods receipt notes duly acknowledged by signature of the recipient of goods or services.

### **4. OTHER LEGISLATIVE REQUIREMENTS REGARDING HANDLING OF CLAIMS**

#### **4.1 It is important that the following basic principles are adhered to in order to ensure the municipality complies with the legislative requirements:**

- Suitable arrangements must be made to ensure that all claims are received within a reasonable period to prevent claims being submitted long after services have been rendered.
- Unless determined otherwise in a contract or other agreement, all payments due

must be settled within **thirty (30) days** from date of invoice, and in the case of civil claims, from the date of settlement or court judgement.

## **5. PROCEDURES BEFORE PAYMENT VOUCHER IS PROCESSED.**

### **5.1 Before making a payment, the person checking the voucher for payment shall:**

Certify it accordingly, and make sure that the following requirements have been complied with:

- that the claim/invoice;
  - is a proper charge against the municipality, and has **not** already been paid;
  - is in accordance with a law, regulation, tariff, agreement or tender requirements.
  - is fair and reasonable; and is covered by competent authority in terms of financial delegation.
  - is correct with regard to terms and conditions of contract where services rendered or goods delivered are under contract.
  - correct with regard to computations;
  - supported by original and necessary documentation such as, contracts, invoices, certificates, delivery notes and/or goods receipt notes duly stamped and signed by the recipient, and is generally in order.
  - correct with regard to period covered

**NB!** Only persons who have actual knowledge of the services or supplies shall give certificates or confirmation in support of claims and countersign invoices, e.g the procurement/provisioning component, project managers and end users.

**Should certification be found to be defective, or there is reasonable doubt as to its accuracy, it must be returned to the person from whom it originated for cancellation or correction.**

## **6. MANAGEMENT OF RECORDS AND CUSTODY THEREOF**

### **6.1** Once payment has been concluded, the following control measures shall apply:

- the task of controlling all processed payment documents/vouchers shall be assigned to a responsible official, in writing or reflected on such officials job description.

#### **6.1.1 It is the responsibility of such official to ensure that:**

- All payment vouchers and supporting documents are received and immediately stamped as ‘PAID’ where necessary, depending on the systems and processes in use.
- Payment vouchers and supporting documentation are filed in payment number or convenient format per accounting month.
- All documents are lodged in a strong room or in a room that is fire resistant.

- Reconcile monthly documents on hand with **Venus** Payment Control Report before filing.
- Forward reconciled documents to the filing clerk or responsible official for custody and safekeeping.
- Only authorised persons shall have access to accounting records and documents.

**The head of the division shall conduct regular inspections to ensure that the above control measures are complied with.**

## **7. PAYMENT PROCESS FLOW:**

### **7.1 Compiling of payment voucher:**

- supported by original and necessary documentation such as, contracts, invoices, certificates, delivery notes and/or goods receipt notes duly stamped and signed by the recipient, and is generally in order.

### **7.2 Authorisation of Expenditure**

- Once the checker has signed off the payment voucher, it shall be forwarded to the delegated official for authorisation in accordance with the municipal financial delegation of authority.

#### **The authorising official must ensure that:**

- any limitation or condition attached to the instrument of delegation are complied with.
- that the expenditure is strictly in accordance with the purpose of the vote.
- the expenditure represents the best value for money for the department.
- the amount paid is correct and the goods and services have been delivered per specification provided for.
- the expenditure will not results in unauthorised, Irregular and wasteful or fruitless expenditure

### **7.3 Capturing:**

- The authorised payment is forwarded for capturing and signed for by the capturer.
- Once the payment is captured, a payment number is generated and updated on the payment voucher. The capturer signs the voucher before forwarding to the supervisor who checks and verify the details of the payment prior to approving or rejecting the payment.
- The supervisor authorises the payment on the system and also signs the voucher.
- All paid vouchers are submitted to the voucher Control officer who is responsible for the safeguarding of payment documents.
- Paid vouchers are stamped “PAID” where necessary, reconciled with **Venus** Payment Reports and filed in the strong room.

## **8. RESPONSIBILITIES RELATING TO PROJECTS CLAIMS**

- All project related claims shall be certified at project management level and by relevant departmental managers before forwarding for payment to ensure validation of data relating to claim and to avoid unauthorised, irregular, and fruitless and wasteful expenditures.

- Expenditure division should ensure that the project expenditure is within allocated budget as per contract and that any contingencies, guarantees and retentions are reconciled before payments are effected.

## **8.1 PROCESS FLOW – CONTRACTOR/PROJECT CLAIMS**

### **Contractor and Engineer on site:**

#### **Step 1 Receipt of claims**

- Breakdown and measurement of completed work for purpose of compilation of claims.
- Certification of work done.

#### **Step 2 Verification and recommendations – PMU Manager**

- The project Manager checks and confirms that the milestones claimed are correct in term of measurements and amounts claimed.
- The project manager recommends payment according to milestones and amounts to be paid and sign the claim before forwarding for further processing. At this stage the project management should validate the claims to ensure that they are correct before submitting to finance for payment

#### **Step 3 Approval of expenditure – Technical Director**

- The Project Management Director does further checks and sign the claims.
- All the processes are to ensure that unauthorized, irregular, and fruitless and wasteful expenditures are avoided.

#### **Step 4 Approval of expenditure – Municipal Manager**

- The Municipal Manager sign the claims as approval of work done and that the claims are legitimate charge against the municipality, that the appointment of the contractor is indeed in order and all due supply chain management

## **STANDARDS PERTAINING TO PAYMENTS.**

### **Project completion.**

- The manager will sign off project completion certificates from recommendations and approvals by the contractor, project manager, the engineer and senior project manager responsible for the particular project.

## **RELEASE OF RETENTION AND GUARANTEE MONIES**

- This will be in terms of contract and the duration will commence at the project completion sign-off date. Proper contract management will ensure that these are paid timeously and accurately.



## **VARIATIONS**

- Variation should be pre-agreed and dependent on the nature of project. Any such variation should be supported by engineers' report and be independently verified and approved by the department.

## **TURNAROUND TIMES**

- Payments should be completed within thirty (30) days after the receipt of claims by finance.

## **CUSTOMER CARE (INFORMATION MANAGEMENT)**

- The Technical Services will serve as a central communication point between contractors and finance on payments enquiries to avoid direct interaction between contractors and finance staff on matters pertaining to claims that may cause disruptions and delays and finance expenditure division shall give status regarding payment to technical services for feed back to the contractor.

## **CONCLUSION**

- The manual will be reviewed and adjusted for any new developments as and when the need arises.

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**ACCOUNTING OFFICER**

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**DATE**

