



# **EXPENDITURE MANAGEMENT POLICY**

**2023/2024**

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## 1. ABBREVIATIONS

**CFO** – Chief Financial Officer

**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. DEFINITIONS

**"Accounting Officer"** a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures 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;

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

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

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

**"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;

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

**"Overspending" -**

(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 executive mayor of the municipality, in terms of section 53(l) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services;

**"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.

### **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 Management 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) as far as possible, the municipality will strive to ensure that all payments to creditors are made within 30 days of receiving the 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 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-
  - directly to a person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
  - 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-
  - recognises expenditure when it is incurred;
  - 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

## **5.2 Creditor Payments**

5.2.1 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.

5.2.2 The CFO 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.

5.2.3 All payments vouchers must be sequentially filled and stored in a secured room.

**5.2.4** 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.

5.2.5 Invoices or statements submitted for payment to the Deputy CFO by any department must be signed, when a department authorises the payment of accounts the signatory certifies and authorises that: -

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

- 5.2.6 Before payment is processed the Creditors Department shall ensure that:
- (a) The prices, calculations and any taxes are correct and invoice are tax compliant.;
  - (b) Any discounts to which the municipality is entitled to have been deducted;
  - (c) Correct with regard to period covered.
  - (d) Sufficient budgetary provisions exist.
  - (e) Supported by original and necessary documentation such as, tax invoices, certificates, goods received notes and signed by the recipient, and is generally in order.

5.2.7 All payments due by the Municipality shall be made by or approved electronic payment method.

### **5.3 Recovery of Losses**

5.3.1 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 (b) of the MFMA

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

### **Conclusion**

This policy will be implemented on 1<sup>st</sup> July 2023 in line with the delegations of financial authority by the accounting officer and the creditor procedure manual and will be reviewed and adjusted for any new developments as and when the need arises.

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