

# **DANNHAUSER LOCAL MUNICIPALITY**



## **EXPENDITURE MANAGEMENT 2025 /2026**

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## **1. BACKGROUND AND PREAMBLE**

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.

This policy must be read, interpreted, implemented, and understood against this legislative background

## **2. OBJECTIVES**

- To promote accountability and compliance with Municipal Finance Management Act 56 of 2006 on payments made by the municipality.
- The Municipality must always 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.
- Set out a framework for the municipality to deal with:
  - ❖ All expenditure related transactions;
  - ❖ To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes;
  - ❖ 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
  - ❖ Ensure that the principles applied, as a result of this policy, will enhance and support a healthy working capital position for the municipality

### **3. EXPENDITURE MANAGEMENT**

#### **3.1 COMMITMENTS**

- Middle Managers shall advise the CFO of the officials authorised to sign requisitions for goods and services in respect of the categories determined and approved by the municipal manager from time to time.
- Specimen signatures of all officials authorised to sign requisitions shall be supplied to the CFO.
- Supply Chain Management will keep record of all authorised officials and the specimen signatures
- No councillor or official of the municipality shall commit the Municipality to any authorised expenditure unless the necessary Supply Chain Management processes have been followed which include the completion of an official requisition or order.
- The CFO shall determine the information to be supplied on such requisition or order.
- A commitment register is to be kept by Supply Chain Practitioner.

#### **3.2 PAYMENTS TO CREDITORS**

- The Chief Financial Officer must ensure that all contracts awarded by the Municipality stipulate payment terms that are favorable 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 expenditure section head 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 and Municipal Manager.

- The Creditors Department must provide the names of officials empowered to sign vouchers and authorise payment of accounts, together with their specimen signatures.
- Invoices or statements submitted for payment to the expenditure section by any department must be signed,
- when a department authorises the payment of accounts the signatory certifies and authorises that:-
  - ❖ All processes in terms of the Supply Chain Management Policy of the Municipality had been followed;
  - ❖ The goods and services have been received and rendered in good order and are under the control of the Municipality;
  - ❖ The account has not previously been submitted for payment;
  - ❖ Sufficient budgetary provisions exists;
  - ❖ If excess expenditure is involved, the resolution authorising the excess expenditure shall be quoted on the voucher;
  - ❖ Authority for the payment exists, in which case the authority shall be indicated on the voucher; and
  - ❖ Fruitless and wasteful expenditure has not been incurred.
- Before payment is processed the Creditors Department shall ensure that:-
  - ❖ The prices, calculations and any taxes are correct;
  - ❖ Any discounts to which the municipality is entitled to have been deducted;
  - ❖ The account has previously not been paid; and
  - ❖ Sufficient budgetary provisions exists.
- All payments due by the Municipality shall be approved and made through electronic payment method.
- Certain payments may be made from petty cash in accordance with the Petty Cash Policy as amended from time to time.

### **3.3 Salaries, Wages and Allowances**

- The Payroll Controller shall be responsible for the calculation and payment of salaries, wages and allowances, after final review by the Accountant Expenditure and approval is made by the CFO.
- The Human Resource Officer is responsible to notify the Payroll controller of all appointments, promotions, dismissals, resignations, transfers, absences for any reasons. The submission of such information to the Controller Expenditure shall be made formally in writing before or on the 11th of each month unless communication is made timeously for an earlier date.
- The Human Resource Officer shall be responsible for the maintenance of all records essential for the accurate determination of emoluments and leave due to employees of the municipality.
- 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 Accountant and Payroll must be submitted to Municipal Manger, Chief Financial Officer for review.

- All leave encashment will be paid in the monthly payroll to ensure correct tax deductions. This will be paid provided the compulsory attachments are received as supporting.
  - Signed leave form together with an approved leave conversion form.
  - Copy of leave register
  - Copy of at least three months clocking report.

### **Banking details**

- Any changes to creditors and employee's banking details will only be allowed when the following procedures have been met:
- The Creditor must inform the Municipality of its' banking details on an original letterhead from the specific company and approved by the relevant banking institution with their official stamp and signatures.
- In the case where official letterheads and documentation is not available a letter from the banking institution duly signed by both parties and official stamp will be required.
- Only original documentation information as set out above will be accepted for any changes to banking details.

### **3.4 GRANT EXPENDITURE**

- A proper cash flow in respect of Grant expenditure as well as Grant income related to the Grant Funding project must be drawn up by the relevant official and included in the budget.
- No payments will be allowed in respect of projects to be financed from external grants unless grant funding have been received.

### **3.5. Capital Expenditure**

- No capital expenditure shall be incurred or committed to any project unless:-Duly appropriated in an approved capital budget or adjustments budget;
- 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.
- 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.

### **3.6 Accounting Principles**

- The CFO shall determine the format, standards and systems applicable to the accounting procedures on expenditure. In doing so cognisance must be taken of the General Recognised Accounting Practices (GRAP) guidelines issued by the Accounting Standards Board (ASB).
  - Council items related to financial matters, will not be forwarded to Council if it is not supported with the necessary comments from the CFO.
  - The CFO shall ensure that proper accounting records and registers are opened and maintained in compliance with subsection
  - 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. 5.7.5.
- Other Provisions

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

### **3.7 Unauthorised, Irregular and Fruitless and Wasteful expenditure**

- 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.

- Registers for Unauthorised, Irregular and Fruitless and Wasteful expenditure should be kept, updated on a regular basis and submitted to the CFO on a monthly basis to report to council.

### **3.8 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.

### **3.9 MONTHLY RECONCILIATIONS**

The following monthly reconciliations must be prepared on monthly basis and signed by the preparer and the Accountant expenditure.

#### **CREDITORS RECONCILIATION**

- Monthly creditors reconciliations with the relevant supporting documentations must be prepared on a monthly basis, checked by Accountant Expenditure and reviewed by Chief Financial Officer.

#### **VAT RECONCILIATION**

- 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.

#### **SALARY RECONCILIATION**

- 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 Accountant and Payroll must be submitted to Municipal Manger, Chief Financial Officer for review.
- All leave encashment will be paid in the monthly payroll to ensure correct tax deductions. This will be paid provided the compulsory attachments are received as supporting.
  - Signed leave form together with an approved leave conversion form.
  - Copy of leave register
  - Copy of at least three months clocking report.

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

### **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.

## **3.10 PETTY CASH MANAGEMENT**

### **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 R3 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 R300, or any other amount that the council may determine from time to time.

### **CASH PAYMENT**

“As per MFMA (65) (d) (ii) cash payments and payments by way of cash cheque or EFT may be made for exceptional reason only” only up to a prescribed limit.

Goods and services may only be procured by way of -

- Petty cash purchases up to a transaction value of R300 (VAT included);
- Written or verbal quotations for procurement transactions valued over R300 up to R10 000 (VAT included) and supporting memorandum signed by Head of Department stating the vote number to be debited, the cheque amount and for which project.
- formal written price quotations for procurements transactions valued over R10 000 up to R200,000 (VAT included); and a competitive bidding process for - procurements above a

transaction value of R200 000 (VAT included); and the procurement of long term contracts

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
- ❖ If invoice not submitted to expenditure section after 72 hours the amount will be deducted from recipient's salary.

#### **4.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.

#### **5. POLICY ADOPTION**

This policy has been considered and approved by the Council of **Dannhauser Municipality** on this day..... of ..... 2025 and will be implemented as from 1 July 2025.

