

EXPENDITURE MANAGEMENT POLICY



**MALUTI-A-PHOFUNG LOCAL MUNICIPALITY
PROPOSED EXPENDITURE MANAGEMENT POLICY - 2020-21**

Table of contents

Introduction.....1
Expenditure Management.....1-4

1. INTRODUCTION

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 PAYDAY 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 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 SHORT TITLE

- This policy shall be called the Expenditure Management Policy of the Maluti-a-Phofung Local Municipality.

Signed by the Municipal Manager as per resolution _____:

Municipal Manager

Date