

**NKETOANA LOCAL MUNICIPALITY EXPENDITURE CONTROL POLICY**

The following aspects are essential to ensure accountability, responsibility and liability at all times and to prevent any misunderstanding and/or unauthorized expenditure.

Should a need arise for any kind of expenditure then the following steps must be adhered to. Please note that if any uncertainty exists it remains the responsibility of the relevant official/councilor to determine beforehand what must be done and/or how it must be done as the decision maker will be held liable at the end of the day. It remains the responsibility of the department head to ensure that the officials under his/her command strictly adhere to the relevant rules/regulations. All discrepancies will be referred directly, and only, to the department head with a copy to the Municipal Manager as to ensure that the lines of communication are obtained.

1. Any expenditure starts with a need for a service, material, etc. and must be referred to the head of the department for decision making.
2. Once the head of the department (Manager) or his/her authorised official decides that the expenditure is acceptable, he/she will confirm that the relevant funds are available on the budget.
3. The applicable limits to expenditure (VAT inclusive) are as follows:

Nil	R1 499.99	Approval by Manager & C.F.O. (At least one quotations to cover Manager)
R1 500.00	R9 999.99	Approval by Municipal Manager, Manager & C.F.O. (x3 written quotations)
R10 000.00	R99 999.99	Approval by Council, Mun Man, Manager & C.F.O (x 3 written quotations)
R100 000.00	and up	Approval by Council, Mun Man, Manager & C.F.O (Written tenders)

4. Quotations must be in writing with at least the following information:
  - (a) Full name of supplier
  - (b) Address
  - (c) Contact number
  - (d) Complete description and quantity of goods/services
  - (e) Delivery period
  - (f) Valid period of quotation
  - (g) VAT inclusive/exclusive
  - (h) Possible rebates and/or conditions thereof
  - (i) Signature of authorized official of the supplier
5. Once all information are available the Manager will make out an official order:
  - (a) The order must be completed in full (Name, address, date, vote number, quantity, description, amounts, etc.)
  - (b) Orders must be made out for all proposed expenses (including advertisements, fuel, rentals, meals, traveling and subsistence, etc.) unless clarified with the C.F.O. in advance.

- (c) On the copies the amount budgeted, spend to date, amount of the order and amount still available must appear.
  - (d) If an over expenditure is caused, then the vote on which the over expenditure will be effected must be shown as well as the above information of the vote on which a saving is effected. The Municipal Manager must sign all such cases or the relevant council resolution attached if in excess of R10, 000.
  - (e) The order must be signed by the Manager or his authorized official, who takes full responsibility for the expense as indicated on the order and certifies that the funds are available.
  - (f) Should there be any special arrangement and/or additional costs with regard to delivery it must either be stipulated on the order (original & copies) or a separate order must be made out if costs is not included in the price.
  - (g) Should there be any special arrangement with regard to payments that do not fall under the standard conditions of the council, it must be stipulated on the order (original & copies) and arranged with the C.F.O. *before* arranged with the service provider. Please note that this matter is of outmost importance as it will have a direct influence on the cash flow of the council and can not be accepted.
  - (h) Should it happen that 3 (three) quotations can not be obtained, where a contract exists, dealing with a sole supplier, council resolution exists, etc. it must be written on the order (on the copies only) and submitted to the Municipal Manager for his signature.
6. All applicable documentation, as stipulated above, must be submitted with the order to the Municipal Manager and/or the C.F.O. for approval.
  7. Orders will only be signed between 08h00 and 10h00 on a daily basis. Urgent orders for breakage's\services which occur after the daily signing time will be handled on merit throughout the day (please note that this do not include cases where planning was not up to standard or non essential work). Incomplete/incorrect orders submitted during 08h00 and 10h00 will not be signed and will stand over for the next day. The relevant official will be held liable for non-supply of services, etc. in cases such as these.
  8. The certifying of invoices at the Creditor's Section (Finance) will take place during the same time as the signing of the orders except in extreme cases where the need arise.
  9. As petty cash (which is earmarked for office use) is only R5000.00 with a limit of R200.00 per item, it will only be used in extreme cases and only with the approval of the C.F.O.
  10. Differences between quotations/orders and invoices can not be accepted and will be the direct responsibility of the manager unless otherwise stipulated. This exclude orders made out on estimated amounts which can not be determined before hand.
  11. Where the actual cost of a service/repair is not known an estimated amount is placed on the order which can not be exceeded with more than 10% without the written consent of the officials who signed the original order.
  12. Orders must be made out for Traveling and Subsistence claims (as well as the prescribed S & T forms) and be handled in the prescribed way. Claims for S & T will be done in accordance with

legislation/council policy and remains the responsibility of the relevant head of the department. Payments made to officials/politicians in this regard must be substantiated by invoices within

10 working days after which the expenses were paid out for if no proof is supplied then the costs must be recovered from the remuneration of the individual. Important to note is that the proof must consist, in accordance with sound financial guidelines as requested by the Auditor-General, of at least the following details:

- (a) The name of the company/owner who delivered the service
- (b) Proper description of the service delivered such as kilometers traveled or names of towns between which the traveling took place (which cost can not exceed the prescribed AA-tariffs or the cost as per Department of Health in the cases where it must be claimed back from the latter).
- (c) The actual cost indication whether VAT is included or excluded.
- (d) Signature of the authorized official/worker/owner of the company
- (e) Telephone number of the company/owner.
- (f) Date and time of service
- (g) Signature of the relevant official/councilor.

13. Payments to creditors/suppliers will depend on the following conditions:

- (a) Payments can only be done on original invoices as per legislation. Should an invoice be given to an official it becomes the responsibility of the said official to ensure that he/she gets a signature from the Creditors Section (Finance) as proof that the latter received it. This is of outmost importance as the said official will be liable for any additional costs (interest, fines discount forfeited, etc.) which might occur due to late/non-payment of accounts.
- (b) Cheque will be issued three times per week – Monday, Wednesday and Friday. Applications for cheques must be handed in on Mondays before 12h00 in order to receive a cheque by Wednesday (after 14h00).
- (c) Due to the additional time/money lost ( $\pm$  R44 – which can be seen as fruitless expenses) to process a late application for a cheque, the cost will have to be born by the recipient if it is possible to process the payment. Exemptions such as Postmaster (monthly service accounts), Standard Bank (Interest calculated on a specific day), etc. will be handled on merit. Late applications also have a direct affect on the productivity and efficiency of the department and reflects negative on the “key performance indicators”
- (d) Items ordered and/or taken from suppliers before an official order was issued (approved), items bought or services paid for by officials out of their own pockets with the idée of claiming the money back, order numbers given to suppliers before approval of the expenses by the Municipal Manager and/or C.F.O., exceeding of the authorized amount as stipulated on the order, etc. are, according to legislation, unauthorized expenditure and can therefore not be paid by the Finance Department. Please note the importance of this aspect, as the costs will have to be born by the relevant official, even if council did received the service/material.
- (e) All payments are done 30 days after invoice (which can only be invoiced after delivery) unless authorized in advance by the C.F.O in order to maintain a proper cash flow. Any such arrangement(s) must be written on the order.

- (f) The relevant department head must authorize all invoices by certifying that the goods, as per order/invoice, were received in good order and that the payment was not made previously.
- 14. Documentation will only be removed from the Creditor's Section after signing in the relevant register and will be signed back when returned. This will ensure liability at all times.
- 15. The head of the department must ensure that proper measures are in place as to prevent over expenditures, unauthorized expenditure, etc. taking into account the signing powers of other officials within the relevant department.
- 16. After hour brakeage expenses on only service delivery matters must be written in the relevant order book and signed by an authorized official together with the signature of the supplier on the order form. These expenses are limited to R1,500.00 (VAT incl) and should the need arise to exceed the amount telephonic approval must be obtained from the Municipal Manager and/or C.F.O. and a note be made on the order book. The order book must be taken to these officials on the next working day for applicable signatures together with the tax invoice of the supplier.

**AUTHORITY**

Formulation Policy	:	Chief Financial Officer
Authorization Policy	:	Council
Ownership & Maintenance Manager	:	Expenditure Manager