PIXLEY KA SEME DISTRICT MUNICIPALITY

UPDATED FINANCIAL REGULATIONS

PURCHASES AND REMITTANCES

General Purchases

- Orders for purchases are approved by the departmental head
- Attached to such orders:
    - Invoice
    - Quotations (should approved amount be exceeded)
- Once a quotation has been approved, the invoice and delivery note are to be controlled by the Head of Finances
- The Head of Finances also controls:
    - Quotations, invoices, delivery notes
    - Departmental authorization
    - Budgets
- The Head of Finances completes proof of payments and allots vote numbers
- Documentary evidence to be signed by two persons
- Cheques are completed by the expenditure clerk
- The credit clerk immediately filters the system
- The Head of Finances compares the cheque to the proof of payment
- Vouchers and cheques are submitted to two persons who have the signatory rights, and who then control all vouchers and sign the cheques.
- The accountant controls all expenditures and keeps the expense cashbook up to date manually as a double check on computerized information
- Vouchers are filed and cheques are posted

Storage Purchases

- Purchases as above, except that requisitions in respect of all storage purchases should accompany orders
- Purchase vouchers are to be signed by both the Warehouse Manager and the Head of Finances
- The invoice should confirm that the goods have indeed been received, that the amounts are correct and that the account has not already been settled.

Diverse debits

- Where services have been rendered to any other instance throughout the year debits have to be reflected

- Such expenditures are debited to each of the relevant department's vote numbers (Health and Roads – private works)
- Accounts are submitted to debtors monthly, from a hand kept invoice register
- All usual controls regarding expenditures are observed
- A senior clerk does regular inspections and advises relevant actions
- All outstanding debits are reflected in the financial statements at the end of each financial year
- When the statements are compiled, all debits settled within the year are noted in the debit register and reconciled on the statements
- Debits which cannot be settled, are submitted to the Council in the next financial year, for write-off.

Road Works

- Budgets are submitted to the Province. Province makes an allocation and the budget is adjusted accordingly
- Monthly feedbacks are submitted to Province regarding the effect of expenditures on the budget
- Monthly claims are submitted to Province for full settlement or part settlement, at its own discretion.

Investments

- Quotations are obtained from approved sources so as to ensure the most advantageous interest rates
- This information is then submitted to Council for confirmation
- An expenditure voucher is then completed and the investment is made in accordance with Council's instructions
- This investment is then recorded in the investment register
- All movement on this investment is recorded in the investment register as well as in the ledger
- At the end of the financial year the balance sheets and all the relevant annexures are reconciled
- At the end of the financial year a balance certificate is obtained from the relevant financial institution, in confirmation
- Full information regarding such investment is submitted at each and every Council meeting
- Interest received on investments, except CRR, leave gratification and irrecoverable debts are reflected yearly on the current account

Creditors

- Creditors are identified at the end of the financial year, where invoices are received in the current year, but will be payable only in the following year
- All the usual controls are carefully applied
- Creditors are reflected in the credit register at the end of the year. Creditors of the preceding year, where payments have been made, are also reflected in the register
- Creditors in the register must be reconciled with amounts in the statements

External loans

- Quotations are called for from approved financial instances, so as to negotiate the best interest rates
- Council then has to be supplied with the full information, so as to make a decision
- This loan is then taken up and all information regarding interest rate, period of loan and repayments and frequency of such repayments is recorded in writing
- Interest and redemption tables have to be kept for own record purposes
- Such interest and redemptions are paid on the agreed dates per relevant vouchers
- This information is registered in the ledger for the end of the financial year
- The loan is also listed in the ledger
- At the end of the financial year the balance sheet and the relevant annexures to the financial statements are reconciled
- The Treasury and Auditor General are kept up to date regarding loan information

Capital Purchases

- Should funds be available in accordance with the budget, the following is to happen:
    - Quotations are requested for purchases less than R30 000 and this has to be confirmed by Council

    - For purchases exceeding R30 000, formal tenders have to be called for and are subject to Council's approval
    - Once Council's approval has been received the usual procedures are followed regarding purchases, e.g. the issue of orders
    - Payment of such capital purchases remain within the allocation of capital expenditure relevant to the department and in accordance with the budget
    - The purchased item and its price are listed in the asset register
    - At the end of the financial year, the total asset register must balance with the amount in the ledger

Salaries and Remunerations

Salaries

- On an appointment, the necessary documentation is completed and issued to the salary office – Ms Cofa
- Ms Cofa controls such documentary information of appointment to ensure:
    - Salary in accordance with industrial requirements
    - Any additional fringe benefits
    - Budget

This documentation is submitted to the salary clerk for complete computer insertion. Any changes or improvements of an employee's salary are done by written confirmation from the personnel division to the Head for approval, before it is submitted to the salary clerk.

At the end of the month salary chits are pre-printed and each employee's salary statement is controlled by Ms Cofa and Mr Fourie, for affirmation of events which took place during the month.

Remunerations

- Remunerations are reflected on a submitted settlement, reflecting the full number of hours worked
- Remunerations, with allocations, are posted onto the computer, and then the procedure outlined above, regarding salaries, involving ms Wessels, is followed

Purchase of supplies

- The Storekeeper decides which supplies are required
- He calls for quotations
- Keeps a written and signed record of supplies, requisitions and storage shelf items
- Writes out and signs the order
- Takes the order book to the accountant for approval and signature
- Orders supplies
- Controls the delivery details and writes up the register
- Requisition, order and invoice are then signed by the Storekeeper and the accountant to authorize payment
- From the payment authorization such supply purchases are fed into the computer

Issuing of parts

- Mechanics issue written request for parts, citing vehicle number
- Such parts are drawn from storage shelf, listed in issue register and signed for
- From this issue register parts are issued
- At the end of the month supplies issued are balanced with shelf supplies
- The accountant takes stock

Fuel issuing

- The control of the issue of fuel involves registering pump information; vehicle number; signature and date, and all this is recorded in the Dommer register
- The Storekeeper keeps a monthly control record of all fuel in the various camps

At the end of each month the supply registers are balanced and also the monthly balance sheets of the store control account, which is then handed to the accountant for his control.

At the end of the financial year, the Director of Finance and the Storekeeper together travel to all supply depots to control fuel supplies.

At the end of the financial year, supply lists are compiled and supplied to the accountant for his records.

All other funds

- All other funds allotted to specific projects are handled in the same manner
- Each fund may be allotted only to the specific purpose for which it was destined
- The fund is not a permanent one. It applies only to the project or the purpose for which it was meant, and falls away once that has been done. No Ministerial approval is required
- All the usual controls also apply to these funds
- Any interest accruing to any of these funds is to the advantage of the Council, if not utilized for the aforementioned conditions of the project

Subsidies and services of agents

- In November of each year, a budget is drawn to cover the following year
- This is submitted to Council for approval
- This approved budget has to reach the relevant provincial department before 31 December of that year
- Once this has been approved, the Council is informed of this. Any adjustments necessary are then made
- Throughout the year expenditures are handled in accordance with the normal procedures
- The income allotment is handled in accordance with provincial department instructions. (Invest excesses or claim quarterly)
- At the end of the financial year, the Income and Expenditure statements are compiled and the final subsidy claim is submitted to the relevant provincial department. Any adjustments are made between Council and the provincial department
- Throughout the year, the usual controls are applied

Repayments of levies or any other funds

Objective

- To safeguard District Municipalities from any fraud action
- To afford District Municipalities sufficient time to ensure that repayments remain legal

Procedures

- A window of fourteen (14) days, before any repayment is made, is applicable
- Any repayment should be made in deliberation with the Municipal Manager or CFO
- All relevant vouchers must accompany repayment
- All repayments must be submitted to Council for its information

Journal Processing

- One official prepare
- One official approve
- One official process

Identification, recognition, measurement and disclosure of unauthorised irregular, fruitless and wasteful expenditure

- Being executed according to MFMA No.56 of 2003
- See Chapter 4 (32)
- See Chapter 10 (102)

Identification, recognition, measurement and disclosure of contingent liabilities and commitments

- Executed according to MFMA No.56 of 2003
- Refer to Chapter 12 (125)(c)

Virement

Might just be done between line items of the same Vote.

Adjustment Budget

Only to be done based upon recommendation of section 72 report or if major financial issues occur before end of financial year.

Monthly reconciliation between Asset Register and General Ledger

A reconciliation between the Asset Register and General Ledger will be performed on a monthly basis.

Asset Count Procedure

A physical asset count will be conducted quarterly by the Finance Department.

Related party transactions

If any councillor or official of the District Municipality is involve at another sphere of government – which resulted in a financial consequence – will/must such an involvement be declared to Council and will the financial consequence be declared in the Annual Financial Statements (AFS).

Revenue

Revenue are to be recorded and budgeted for upon taken the following documentation into consideration:

(1) The Division of Revenue Act (DoRA)
(2) Contractual agreements (issuing of invoices)
(3) Correspondence from donor departments
(4) Clauses in business plans (admin costs)
(5) Notices from Treasury or any government department (Gazettes) etc.

Long Term Loans

Local Government institutions are currently engaging the DBSA in terms of long term loans as the DBSA is currently offering the lowest interest rates. The taking up of a long term loan will be preceded by the following:

- Council's approval
- A proper needs analysis
- An affordability exercise etc.

Commitments

A commitment register containing the following information will be completed at the end of each financial year:

- Tender number
- Project details
- Tender awarded date / Project starting date

- Tender amount
- Invoices paid
- Invoices reviewed but not paid
- Other
- Commitment to be disclosed

Subsequent events

Will be shown in the following financial year's Annual Financial Statements (AFS) as a correction of error.

Withdrawal of funds from Investments

Only signatories on Council cheques may sign on withdrawal requests (Official form issued by financial institutions). A withdrawal may only be done upon the receival of an approved written communication accompanied by the relevant supporting documentation

USE OF CONSULTANTS

(1) The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full-time employ to perform the function.

(2) When consultants are appointed, the following should be included in the Service Level Agreements:

(a) Consultants should be appointed on a time and cost basis with specific start and end dates'

(b) Consultants should be appointed on an output-specific basis, subject to specific measurable objectives and associated remuneration;

(c) Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;

(d) Ensure the transfer of skills by consultants to the relevant officials of the municipality;

(e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy; and

(f) Develop consultancy reduction plans to reduce the reliance on consultants.

(3) All contracts with consultants must include a fee retention or penalty clause for poor performance.
(4) The municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
(4) The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

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R.E PIETERSE
MUNICIPAL MANAGER

01.07.2020
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DATE

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B.F JAMES
CHIEF FINANCIAL OFFICER

DATE 1/7/2020