



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

FINANCIAL REGULATIONS

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FINANCIAL REGULATIONS

(Amendment as recommended – 22 July 2008)

(Second amendment – 25 June 2010)

(Third amendment – 29 November 2012)

(Fourth Amendment – 18 March 2013)

(Fifth Amendment – 18 March 2014)

A. Procurement

1. A duly authorized request for an order must be issued by the directorate requesting the service/goods, for and before each and every purchase made or service required. Only those officials published in Annexure A, are allowed to authorize a request for an order. The RO may be completed by any official in the Directorate.
2. An official order will be issued by the Supply Chain Unit in the Budget & Treasury Directorate within two days from receiving the Request for an order from a directorate. In cases of an emergency and on request from the involved directorate, an order may carry a high priority and will be dealt with immediately.
3. Quotations will be obtained by the Supply Chain Unit. Under no circumstances is a directorate allowed to obtain their own quotations or publish a notice for quotations or tenders. However, a directorate may assist the Supply Chain Unit with the identification of potential service providers in cases where insufficient suppliers on the database.
4. At least one written quotation, unless otherwise decided by the Supply Chain Unit in consultation with the CFO, is required for all procurement where the purchase amount, including VAT, is equal to or less than R2,000-00. Acceptance of a quotation is the sole responsibility and function of the Supply chain Unit. Under no circumstances may any directorate accept a quotation.
5. Three ~~verbal or~~ written quotations must be obtained before an order is issued for all procurement of goods or services requested, where the VAT inclusive value, is more than R2,000-00 but not exceeding R10,000-00.
6. Three formal written quotations must be obtained before an order is issued for all procurement of goods or services requested, where the VAT inclusive value, is more than R10,000-00 but not exceeding R30,000-00.
7. For all purchases of goods or services, where the VAT inclusive value, is more than R30,000-00, but not exceeding R200,000-00, three formal, written quotations must be obtained and a notice must be published on

the notice board and website for seven working days inviting prospective suppliers to submit written quotations before an order is issued.

On receipt of these written quotations the authorization procedure will be as above.

8. The following documentation must be attached to the formal written quotations as mentioned in paragraph 6 above:
 - a. SARS (VAT) clearance certificate,
 - b. Municipal services account in respect of local service providers,
 - c. Profile of the company if not yet registered on council's service provider's data base.
 - d. ID documents of the members of the institution
 - ~~d.e.~~ Certificate of registration with the CIPC
9. In respect of all procurements/quotations above R30,000 and less than R200,000 the 80/20 formula must be used and a maximum of 20 points must be allocated for B-BBEE. Deviations hereon must be reported and requested from the Municipal Manager.
10. Written and sealed tenders (competitive bidding process), in accordance with the Municipal Supply Chain Management Regulations and the determinations of Council's Supply Chain Management Policy, must be requested for all procurement of goods or services, where the expected VAT inclusive value, exceeds R200,000-00. After an evaluation of the tenders in accordance with the pre-determined tender specifications and guidelines in terms of Council's Supply Chain Management Policy by the Supply Chain Unit, a report with a recommendation and motivation from the SCM unit must be submitted to the Bid Evaluation Committee for consideration and recommendation to the Bid Adjudication Committee.
11. The Bid Adjudication Committee (BAC) will consider the recommendation from the Bid Evaluation Committee (BEC) and make a recommendation to the Municipal Manager. In circumstances where the recommendation from the BAC differs from the recommendation of the BEC, the report must be referred back to the BEC for review.
12. The final awarding of a tender is the sole responsibility of the Municipal Manager. However, should the Municipal Manager differs from the recommendation of the BAC, the matter must be referred back for review by the committees. Alternatively, the Municipal Manager may deviate from the recommendation of the BAC on submission of a motivation to Council and AG.
13. In respect of repair and maintenance work, the responsibility vested with the involved Director in consultation with the SCU Manager, to ensure that

the cost thereof is reasonable in accordance to the work, which has to be done. If it is possible, quotations as stated above, need to be obtained. Otherwise, a report from the Director (signed by the Director), indicating the nature of the repair or maintenance work, as well as the fact that quotations cannot be obtained and the reasons thereto must be submitted to the Municipal Manager. Comments from the SCU must be attached to such a motivation. If the expected monetary value, VAT inclusive, exceeds R200,000-00, sealed and written tenders (competitive bidding process) must be requested and handled according to the determinations of the Supply Chain Management Policy.

14. Under no circumstances may an official, issue more than one order to the same supplier for the procurement of goods or supplying of a service, in order to evade the above regulations.

B. Materials/Stock

1. Only officials, published in Annexure B, are permitted to authorize the issuing of materials/stock from the municipal stores.
2. Fuel will only be issued if the supervisor (as listed in annexure B) is present, with the driver, to authorize the requisition. In no circumstances will fuel be issued in any other container than a vehicle fuel tank with the exception of the Parks Section, in which case a maximum of 25 liters may be issued per day in a container. The same requirements/controls are applicable as per the issue of fuel to a vehicle.
3. No issues of stock/fuel will be done without providing a relevant vote.
4. Requisitions must be submitted to the office of the Accountant Expenditure, who will be responsible to see to it that these requisitions are captured in a register as well as on the financial system on a daily basis.
5. The Assistant Manager Budget & Treasury (Expenditure) is responsible to perform continues stock takings during the financial year on a weekly basis. These reports must be submitted on a weekly basis to the CFO. An annual stock taking must be done during May of all stock commodities, where-after it be reconciled with the general ledger. A report of surpluses and shortages must be submitted to Council.

C. Timesheets

1. Officials, published in Annexure C, must see to it that timesheets be maintained and signed on a daily basis. Only these officials may authorize an timesheet for payment.

2. Absence from work must be indicated with a red pen, next to the applicable dates.
3. In cases where neither overtime nor standby has been worked, only those officials, published in Annexure C, may authorize timesheets for their respective directorates/sections.
4. Only the Director may authorize timesheets in cases where overtime and standby has been worked to a maximum of 10 hours per week. Any overtime exceeding 10 hours per week must be dealt with as per paragraph 6 hereunder.
5. In no circumstances must any official be allowed to work overtime, unless it is approved by the Director prior to the working of the overtime. For such purpose the prescribed document must be used. Overtime not pre-approved by the Director, will not be paid by the pay office.
6. Overtime exceeding ten hours per week, will not be allowed, unless it is well motivated, and prior approval is obtained from the Municipal Manager. Under no circumstances may any other official than the Municipal Manager, approve overtime exceeding ten hours per week.
7. Duly completed timesheets must be submitted to the pay office by not later than the 17th of each month.

D. Leave

1. Only those officials published in Annexure D may authorize leave forms of those officials in their respective directorates or sections.
2. Only the Municipal Manager may authorize the leave forms of Section 57 employees reporting directly to the Municipal Manager. Leave of the Municipal Manager is to be authorized by the Mayor.
3. No official may authorize his own leave form.
4. With the exception of vacation leave, supporting documents must be attached to any other form of leave. Leave in respect of injury on duty, a copy of the relevant claim form in terms of the Commissioner of Compensation, must be attached as supporting documentation as well as the necessary sick certificate of a registered General Practitioner.

5. Authorized leave forms not returned to the leave clerk before the commencement of such leave will result in unpaid leave for which no remuneration will be received.
6. Authorized leave forms received back, must be captured on a weekly basis.
7. The encashment of leave days is subjected to the cash flow position of Council as well as approval from the CFO. Encashment of leave days will only be considered if a written request, supported by the relevant Director, is submitted to the office of the CFO. No other official may approve the encashment of leave days. Such encashment will not be done via a separate payment, but will be part of the monthly payroll. Regardless of the personal circumstances of employees, no leave encashment will be paid outside the payroll.

E. Travel and Subsistence

1. Travel and subsistence fees will only be paid after submission of a duly authorized Travel Claim Form including all substantiating documents (invitation, authorization, certified invoices of official expenses incurred) as well as a brief report back attached thereto.
2. The director may authorize the payment of travel and subsistence fees for officials in his/her directorate, for attending official matters outside the municipal borders for a period not exceeding five days.
3. The manager reporting to the Director (Post levels 1 or 2) may authorize the payment of travel and subsistence fees to any other employee in their directorate for attending to official matters outside town for a period not exceeding two days.
4. The Municipal Manager must authorize :
 - All travel and subsistence fees to employees for attending to official matters outside the municipal borders for periods exceeding five days; and
 - All travel and subsistence claims of Directors.
5. An official invitation, written authorization and certified invoices of official expenses incurred must be attached to the travel and subsistence claim before payment will be made.

5-6. Councillors expenditure should be approved by the MM

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~~6.7.~~ It is the responsibility of the director, or manager, authorizing a travel and subsistence claim to ensure that the claim is in accordance with Council's approved Travel and Subsistence Policy before the claim is authorized for payment.

~~7.8.~~ An official leave form must be completed and approved before an employee attends a meeting outside the municipal boundaries (special leave).

F. Face Value Documentation

1. The director or manager authorized thereto by the director accepts full responsibility for the implementation and maintenance of control measures to safe guard all face value documentation in his/her directorate/section.
2. Only the Director or his/her nominee may authorize the withdrawal of face value documentation.
3. All face value documentation must be controlled and recorded in a register for which the director or the manager involved is responsible.
4. Face value documentation may only be in the possession of authorized persons.

G. Invoices

1. When an official certifies an invoice for payment, he/she declares in writing the following:
 - the goods or services were delivered in good order and in accordance to the invoice;
 - that the purchase price is as per the quote or tender submitted;
 - that said expenditure has been budgeted for;
 - that there is sufficient funds available for said expenditure; and
2. The Director is responsible for the certifying of invoices, which are paid on behalf of his Directorate. Those officials, published in Annexure E, are entitled to authorize invoices for payments on behalf of their Directorate.
3. Excluding the Municipal Manager and the CFO, a director or manager may not certify an invoice of which the expenditure is to be debited against a vote which is not applicable on his/her Directorate.

4. All invoices received for payment by the Budget & Treasury office, will be date stamped on receipt after which payment will be effected within 30 days, unless otherwise agreed with the CFO. Interest accrued on outstanding invoices will not be paid and will be considered as an unauthorized expenditure which will be handled in accordance with section 32 of the MFMA.
5. Invoices receipt without following the prescribed procurement processes as per paragraph A, will be considered as an unauthorized expenditure which will be handled in accordance with section 32 of the MFMA.
6. Should an official that is responsible for the payment of an invoice, neglect to deduct discounts from the invoice amount, it will be considered as an unauthorized expenditure which will be handled in accordance with section 32 of the MFMA.

H. Entertainment Costs

1. Only Directors are authorized to approve expenditure that is to be debited against his/hers directorate's entertainment vote.
2. Expenditure in The Office of the Mayor or Speaker and Councilors entertainment votes are to be authorized by either the Municipal Manager, the Director Corporate Services or the Manager in the Office of the Municipal Manager.
3. Over spending on entertainment votes will be recovered from the Director of the directorate on which budget the over spending occurred, or, in the case of the Offices of the Mayor and Speaker, the person whom authorized the overspending, see paragraph 2, will be liable for the unauthorized expenditure.
4. A request for additional funds on entertainment votes may only be approved by the Municipal Manager or Council, in the case of a budget adjustment, after submission of a comprehensive report motivating such additional funds. The report must include the recommended savings from other General Expenditure line items. Financial comments from the Budget & Treasury Office must be attached to the report before consideration can be given to the request.
5. Entertainment votes may only be used for official expenditure. "Official" as being related directly to the business of the council in terms of its authorized powers and functions. Such expenditure must be related to an

official meeting or gathering for which an agenda or minutes can be produced.

The beneficiaries of such expenditure are limited to:

- Employees of the council
- Councilors of the council
- Official guests or visitors.

The expenditure is limited to:

- Foodstuffs
- Beverages
- Decorations for official functions
- Official tokens of gratitude, congratulations or condolences.

6. The usage of entertainment votes to fund a directorate function where all officials in the directorate are catered for, is only allowed after written pre-authorization is obtained from the Municipal Manager. A report, including financial comments, in which the hosting of an event is motivated must be submitted to the Municipal Manager to obtain authorization
7. The usage of entertainment votes for personal and private benefit or outside the official scope as per paragraph 5 is strictly forbidden. The purchase of refreshments for personal and daily usage in office is not in compliance to paragraph 5. This includes the provision of daily breakfast or lunch as a personal benefit.
8. Any expenditure outside the approved expenditure guideline will be considered as an irregular and unauthorized expenditure and must be recovered from the authorizing agent as per Section 32 of the MFMA.

I. Signing of Cheques and authorizing of electronic payments.

1. Only those officials, published in Annexure F, may sign cheques on behalf of the Victor Khanye Local Municipality.
2. Either the CFO or the Deputy CFO must co-sign all cheques of the Victor Khanye Local Municipality or authorize electronic transfers.
3. Payments by means of electronic transfers may only be authorized by those employees published under Annexure F.
4. No electronic transfers may be allowed without submission of the bank details of such a supplier as part of the official invoice or otherwise in writing on the letterhead of such supplier. This information must be attached to each payment document.

J. Clearance Certificates

1. Only officials, published in Annexure G, may sign clearance certificates on behalf of the Victor Khanye Local Municipality.
2. Clearance certificates will only be issued once the applicant has fully comply to section 118 of the MSA. All outstanding amounts on the applicable property must be settled before the certificate will be issued.
3. The acceptance of a bank/office guarantee from the applicant may not be accepted in principle. Should any official deviate from this principle, he/she will be kept personally liable for any losses Council may suffer due to such non-adherence.

K. Key Control

1. Each Director is responsible to maintain and control a key register in respect of all official keys in his/her directorate.

L. Petty cash purchases

1. Only one petty cash will be maintained within Council and will be managed by the Assistant Manager: Budget & Treasury (Expenditure) in the Budget & Treasury Directorate.
2. Petty cash withdrawals will only be allowed for the re-imbursement or advance for out-of- pocket expenses to a maximum amount, per case, not exceeding R~~500-00300-00~~.
3. Re-imbursements from the petty cash will only be made after completion of the official request and submission of substantiating documentation.
4. The monetary value of all outstanding petty cash vouchers, after monthly reconciliation, will be deducted from the beneficiary's remuneration after a notice was served to both the involved director and the beneficiary.

M. General

- I Budget votes

1. Directors are responsible to manage and administrate those budget votes applicable on his/her directorate.
2. Directors must ensure that budget votes in his/her directorate do not over spend without the necessary authorization. Any over expenditure is regarded as an unauthorized expenditure and will be dealt with in accordance to Section 32 of the Municipal Finance Management Act, nr 56 of 2003.
3. Directors must identify potential overspendings on budgeted votes for which he/she is responsible and submit a written request to fund such overspendings. Both the Municipal Manager and the CFO may approve overspendings for which savings were identified to a maximum amount of R50,000-00, subjected thereto that the adjustment will have a zero effect on the executive level of the budget as approved by Council. If the executive level of the budget needs an adjustment, an adjustment budget must be tabled before Council.
4. Over expenditure will only be considered if an equal saving can be identified on another expenditure vote.
5. If it is in the opinion of the CFO that an expenditure vote may over spend, a report may be requested from the involved director. The same will be applicable on income votes if it is estimated that the budgeted income might not materialize.

II Capital expenditure

1. Capital expenditure must be in accordance with the approved Capital Program of the Victor Khanye Local Municipality.
2. Savings on capital votes may not be utilized to finance an operational vote. Re-allocation of savings from one capital project to another capital project may only be allowed with the prior approval of Council.
3. Directors must submit all information requested by the CFO to maintain the Asset Register of Council.
4. The Supply Chain Management Policy is also applicable on capital expenditure.
5. Purchase of capital items as well as the commencement of capital work must be in accordance with the time schedule as submitted by the CFO in the SDBIP and approved by the Mayor.

III Closing of budget votes

1. After reporting to the involved Director, the CFO may temporary close an expenditure vote, which might, or is already over spend, pending a report from the involved director. Any expenditure allocated to a temporary closed vote will be regarded as an unauthorized expenditure and be dealt with in accordance with Section 32 of the MFMA, no 56 of 2003.
2. The CFO, after consultation with the involved Director, may close a capital vote after the capital item was purchased, regardless of the fact if funds are still available on said vote.

N. Bank Reconciliation

1. Bank reconciliations must be performed on a daily basis and unidentified transactions must be reported immediately to the CFO and followed up with the bank.
2. A summary of the bank reconciliation must be tabled in Council on a monthly basis as part of the monthly financial report of the CFO.

O. Leases

1. Lease agreements must be kept and safe guarded for audit purposes by the Director Corporate Services.
2. A register must be maintained and managed for each lease agreement Council entered into.

Q. Asset Management

1. Together with the asset control officer, each Director must ensure that all office bound employees in his/her directorate has an updated asset inventory in his/her office available for inspection.
2. No transfer of assets between different locations is allowed, unless the prescribed document, available from the asset control officer, is completed prior to the transfer.
3. No official is allowed to remove, use, keep or safeguard any assets from council's premises to a private property unless authorized thereto

by the Municipal Manager in writing. The borrowing of council's assets without the written permission from the Municipal Manager is strictly forbidden.

4. Continues asset verification, on a monthly basis, will be done by the asset control officer in conjunction with the Deputy CFO and a written monthly report will be submitted to the CFO. An annual asset verification exercise will be done during May and June, where-after the outcome will be reconciled to the general ledger and the findings be reported to Council.
5. No assets may be removed or deleted from council's asset register without a Council resolution authorizing such a removal or deletion.
6. The Supply Chain Unit is the only section authorized to purchase an asset item, regardless of the budget allocation thereof. The normal procurement process as per the SCM policy will be applicable on the purchase of assets. Any procurement outside this process will be regarded as an unauthorized procurement and will be dealt with in terms of Section 32 of the MFMA.
7. The Asset control officer in consultation with the Supply Chain Unit manager will be responsible for the immediate bar coding and addition to the Asset register as soon as an asset is received. No asset item may be dispatched to the requesting directorate with it being properly bar coded and included in the Asset register. A director is not allowed to accept an asset in his/her directorate unless it is properly bar coded.
8. As far as possible, the location of a bar code on an asset must be standardized and be of such a nature that the part on which it is located cannot be replaced. However, it remains the responsibility of the Director together with the custodian of the asset, to report immediately to the asset control officer if a bar code is removed or damaged in order to replace and record it immediately.
9. Damaged and obsolete assets remains the responsibility of the custodian thereof until a report is submitted to council in which the asset is written off and said asset transferred to the Budget & Treasury Office to be sold on a public auction.
10. It is the responsibility of the custodian of each asset to ensure that all necessary steps are taken to safeguard, protect and maintain the asset

under his/her control. The management of each directorate together with the supervisors is to play an oversight role in this regard. Poor safeguarding and maintenance must be reported immediately in writing to the CFO and Asset Control Officer.

11. Lost, theft or damage to council assets must be reported within 24 hours in writing to the relevant director, asset control officer and CFO. These assets will be replaced or repaired, subjected to budget constraints and need.

Q. Cash Management

1. The CFO is responsible for the day-to-day administration of council's bank accounts and investments. In terms of Section 7 of the MFMA Council may operate a primary bank account only at an institution that is registered in terms of the Bank Act, nr 94 of 1990. The performance of certain bank transactions may be delegated to a senior official (Post levels 1-3) in the Budget & Treasury Office as per the delegated powers of Council. The maintenance of internal controls must be in place to safeguard any unauthorized transactions on council's bank accounts.
2. All cash receiving, including money instruments, must be deposited into Council's primary bank account by no later than the first working day after it was received.
3. Withdrawals from council's primary bank account may only be done via electronic fund transfers (EFT) directly into the bank account of the beneficiary of which the bank details must be provided on the invoice of the service provider/beneficiary.
4. Notwithstanding paragraph 3, the issuing of a cheque may only be done in the following circumstances:
 - a. Refund of deposits held for rental of halls and other facilities of council;
 - b. Refund of consumer deposits;
 - c. Replenishment of petty cash and floats to cashiers;
 - d. Payment to a beneficiary under circumstances where EFT is not possible due to:
 - i. Incorrect information supplied by the beneficiary which could not be corrected;
 - ii. Connection failures and system errors to avoid late payment or interest charges.

- e. Withdrawal of cash for the payment of wages to temporary workers.
- 5. The transfer of funds from a secondary bank account, excluding cheques, to a beneficiary is forbidden. Funds may only be transferred from a secondary account or investment account to the primary account of Council. All transfers between council's bank/investment accounts will be via EFT.
- 6. All accounts of the municipality will be operated under the name of: "Victor Khanye Local Municipality".
- 7. All cashiers as well as any other official, authorized thereto, who receive money on behalf of council, will issue an official receipt as and when the money is received. All funds received will be reconciled on a daily basis. Surpluses must be paid into the designated vote, whilst all cash shortages will be recovered from the involved official/cashier.
- 8. The Municipal manager and CFO are responsible for the investment of council's surplus funds as per the delegation of Council. Written quotations with regards to interest (ROI) must be obtained and surplus funds must be invested as per the promulgated legislation and regulations.
- 9. The payment of a commission to an municipal official to attract an investment, be it in monetary value or in-kind, before or after the investment, is strictly forbidden.
- 10. Proper record in the form of an investment register should be kept of all investments made and withdraw during a financial year. Said register must be reconciled with the general ledger at year end. The register must provide the following information in respect of each investment and institution:
 - a. Name of the institution where the investment is held;
 - b. Amount invested at each institution;
 - c. Transaction trail of all deposits and withdrawals;
 - d. Amount accrued as interest on the investment;
 - e. Interest rates and maturation date;
 - f. Reconciliation information with the general ledger.
- 11. The investment of any funds abroad is strictly forbidden. All surplus funds must be invested within the borders of South Africa.