



FINANCIAL MANAGEMENT POLICIES OF COUNCIL

Policy History Page

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DEFINITION OF KEY WORDS

CHIEF FINANCIAL OFFICER – “A person designated in terms of Section 80(2)(a) of the Municipal Finance Management Act (56 of 2003)”;

CITY (MUNICIPAL) MANAGER – “A person appointed in terms of section 82 of the Municipal Structures Act (Act 117 of 1998)”;

COUNCIL – “A municipal Council referred to in Section 157(1) of the Constitution of the RSA Act”;

COUNCILLOR – “A member that has been elected by Communities to serve in a municipal Council”;

EXECUTIVE DIRECTOR – “Senior Managers appointed in terms of Section 56 of the Municipal Systems Act (Act 32 of 2000) and report directly to the City (Municipal) Manager;

EXECUTIVE MAYOR – “A municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act (Act 117 of 1998)”;

INTEGRATED DEVELOPMENT PLAN (IDP) – “A plan as envisaged in Section 25 of the Municipal Systems Act (Act 32 of 2000);

MUNICIPALITY – “A municipality as described in Section 2 of the Municipal Systems Act (Act 32 of 2000)”;

MUNICIPAL BUDGET AND REPORTING REGULATIONS – “Budget and Reporting Regulations 32141 as prescribed by National Minister of Finance in terms of Section 168 of the Municipal Finance Management Act (Act 56 of 2003)”;

MUNICIPAL ENTITY – “A company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation and which operates under the ownership control of one or more municipalities and includes, in the case of a company under such ownership control, any subsidiary of that company or a service utility”;

SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP) – “A detailed plan approved by the Executive Mayor for implementing the municipality’s delivery of municipal services and its annual budget. The SDBIP is essentially an integral part of the financial planning process”;

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION (SALGA) – “An organisation recognised in terms of section 2 (1) of the Organised Local Government Act, 1997 (Act No. 52 of 1997) to represent local government nationally or provincially”;

VIREMENT – “A process of transferring unspent funds or identified savings from one organisational code/line item/ project to another, within the same Directorate or Vote (as defined in the MFMA)”;

VOTE – “Is one of the main segments into which a budget of a municipality is split for the appropriation of money for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned”.

1. BUDGET MATTERS

1.1 General Budgeting Principles

- a. The Budget and Budget Preparation process shall comply with the requirements of the Municipal Finance Management Act 56 of 2003, read in conjunction with the *Municipal Budget and Reporting Regulations* (32141 dated 17 April 2009), and complies with mSCOA (Municipal Standard Chart of Accounts) requirements and nothing contained in this policy shall contradict the said legislation.
- b. In any financial year, *Council* may not budget for a deficit not unless cash backed reserves have been provided for such expenditure resulting in the deficit position.
- c. Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget *vote*.
- d. When preparing its budget, *Council* must ensure that the budget and *Service Delivery and Budget Implementation Plan (SDBIP)* as well as the Built Environment Performance Plan (BEPP) are in accordance with its *Integrated Development Plan (IDP)*.
- e. Any future budget reforms as advocated by National / Provincial Treasuries, Minister of Finance etc. must always be taken into account when undertaking the budget processes.
- f. As in terms of the *Municipal Budget and Reporting Regulations* the Budget Steering Committee must be in place in order to lead the budget process.
- g. The budget must be credible, realistic and cash funded such that it is capable of being implemented.

1.2 Budget Process

- 1.2.1 In order to fulfill the requirements of Section 21(1)(b) of the MFMA, the *Chief Financial Officer* in conjunction with the Chief Operating Officer (COO) shall prepare a draft *IDP* and Budget timetable (also known as Strategic Planning Document) for the ensuing financial year which shall be tabled by the *Executive Mayor* to *Council* for approval at least 10 months (i.e. on or before end August of each year) before the start of the next financial year. The budget timetable shall contain key deadlines for:
 - a) the annual review of the *IDP/BEPP* etc;
 - b) the review of budget related policies;
 - c) the preparation, tabling and approval of the annual budget / *SDBIP* / *BEPP* and
 - d) the consultative processes forming part of the budget process.

Executive Directors and Chief Executive Officer/s of *Municipal Entity/ies* shall ensure that they meet the deadlines as set out in the Budget Timetable.

- 1.2.2 The *Chief Financial Officer* shall prepare a Budget Strategy for approval by Council, which shall contain the principles, objectives and strategies that will apply during the forthcoming budget preparation process. Such Budget Strategy shall take cognisance of the directives, guidelines and economic factors prevailing at the time or circulated by National and Provincial Government. The Budget Strategy shall give general direction to the budget process and also indicate affordable budget growth and envisaged tariff increases as the base line of the budget process
- 1.2.3 The *Executive Mayor* shall table the draft annual budget to *Council* at least ninety days (or on or before end March of each year) before the start of the new financial year.
- 1.2.4 Immediately after the annual budget has been tabled, the *City Manager* must make this budget and other budget-related documentation public, and invite the local communities and other key

stakeholders to submit representations in regard to such budget. The public participation process must be a formal process and must ensure adequate consultation as contemplated in the MFMA.

- 1.2.5 *Council* shall consider approval of the annual budget at least 30 days (i.e. on or before end May of each year) before the start of the financial year to which it relates. The resolutions and performance objectives referred to in Section 17 of the MFMA must simultaneously be adopted.
- 1.2.6 The annual budget must be approved before the start of the budget year to which it relates.
- 1.2.7 The budget tabled to *Council* for approval shall include the following supporting documents:
 - a) The budget must be in the format prescribed by National Treasury and must be divided into a capital and an operating budget.
 - b) The budget must be balanced and reflect the realistically anticipated revenues by major revenue source for the budget year concerned.
 - c) The expenses reflected in the budget must be divided into different categories (for operating budget) and different capital projects or services (for capital budget).
 - d) The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.
 - e) The budget must be project driven and comply with the mSCOA regulations.
- 1.2.8 The budget must be accompanied by all the following documents:
 - a) draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - b) draft resolutions (where applicable) amending the *IDP* and the budget-related policies;
 - c) measurable performance objectives for each budget *vote*, taking into account the Municipality's *IDP*;
 - d) the projected cash flows for the financial year by revenue sources and expenditure votes broken down per month;
 - f) any proposed amendments to the *IDP*;
 - g) the cost to the *Municipality* for the budget year of the salaries, allowances and other benefits of its political office bearers and other councillors, the city manager, the *Chief Financial Officer*, and other senior managers employed in terms of Section 56/7 of the Municipal Systems Act;
 - h) particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the *Municipality* in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
 - i) particulars of the Municipality's investments; and
 - j) various information in regard to municipal entities under the shared or sole control of the municipality
- 1.2.9 In accordance with the *Municipal Budget and Reporting Regulations*, the *Chief Financial Officer* must, within 10 working days after approval of the budget, submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget and place it on the Municipality's website.
- 1.2.10 In accordance with the mSCOA regulations the *Municipality* must submit through upload of specified strings information in required format to National Treasury for reporting and consolidation purposes.
- 1.2.11 The *Executive Mayor* must approve the *Service Delivery and Budget Implementation Plan (SDBIP)* not later than 28 days after the approval of the Budget by Council. The

City Manager must, in accordance with section 21A of the Municipal Systems Act, make public the approved *SDBIP* within 10 working days after the *Executive Mayor* has approved the plan. The *SDBIP* should include the following five components:

- a) Monthly projections of revenue to be collected for each source;
- b) Monthly projections of expenditure (operating and capital) versus actual expenditure for each vote;
- c) Monthly cash projection of revenue;
- d) Monthly cash projections of expenditure;
- e) Quarterly projections of service delivery targets and performance indicators for each vote;
- f) Ward information for expenditure and service delivery, and
- g) Detailed capital works plan broken down by wards over three years.

1.3 Operating Budget Preparation

- a. The *Chief Financial Officer*, jointly with Executive Directors, under the oversight of the Budget & Treasury Committee and Budget Steering Committee, shall develop a balanced operating budget before it is submitted to *Council* on or before end of March every year, according to the approved Budget Timetable and based on the *IDP*, legislative requirements, Budget Strategy and or the Long Term Financial Plan / Strategy and assumptions approved by Council.
- b. The *Chief Financial Officer* will submit to the various Directorates a 3 year budget forecast in respect of Human Resources costs in order for Directorates to finalise their respective Human Resources Budgets.
- c. The principle of zero-based budgeting will be applied in the preparation of the operating budget.
- d. Executive Directors will establish budget requirements in respect of Maintenance of Assets, taking into cognisance of backlogs and shall, in consultation with the *Chief Financial Officer* prepare a strategy to address such maintenance needs and backlogs.
- e. Revenue projections will be done by the respective Executive Directors in consultation with the *Chief Financial Officer*, taking into cognisance of actual performance, economic growth opportunities as well as affordable and acceptable tariff increases taking into consideration the price elasticity of demand.
- f. The requirements of the Municipal Standard Chart of Accounts (mSCOA) as far as budget processes are concerned must be taken into account, when preparing budgets.

1.4 Capital Budget and Capital Programme Preparation

- 1.4.1 Every *Executive Director* shall, in respect of the activities of the Directorate, in consultation with the *Chief Financial Officer*, prepare;
 - (a) when requested by the City Manager, and/or the Mayoral Committee, a revised Capital Budget reflecting revised estimates and actual expenditure for the current financial year;
 - (b) a draft Capital Budget in respect of the ensuing financial year and a draft Capital Programme for the following two financial years, based on the following principles;
 - (i) Year Two of the current Capital Budget shall become Year 1 of the next year's Budget and Year Three of the current Capital Programme shall become Year Two.
 - (ii) New projects shall enter the Capital Budget and Programme in Year 3 after following rigorous capital prioritisation process.
 - (iii) Special circumstances as determined by the *Executive Mayor* must exist for a project to enter the Capital Budget in any other way. This is as a result of the fact that the *Executive Mayor* is legislatively in charge of the budget process.

- 1.4.2 In line with section 19(2) of the MFMA, no capital project will be accepted for inclusion into the Draft Capital Budget unless it is accompanied by the projected cost covering all financial years until the project is operational, future operational costs and revenue and a cash flow for the project. It should be a requirement that every project must have a cost / benefit analysis for the creation and useful life of assets.
- 1.4.3 Carry-over of capital projects from the previous year will be considered for inclusion if they fall within the existing levels of the Capital Budget. Executive Directors must identify carry – over budget requests during the quarterly review processes. It must be noted that only projects that are contractually committed should be carried over. Going forward a process must be in place so that a report of such carry over applications is available within 15 days after the AFS have been concluded to assist planning processes and to determine possible application of cash matters to be taken into consideration.
- 1.4.4 Rollovers of unspent “conditional grants” at the end of the financial year are applied for by the affected Directorates in line with the guidelines issued annually by National Treasury in terms of the Circulars issued for same, which Directorates must ensure compliance thereof. The implication of unapproved conditional grants results to the immediate reduction of unspent portion from the annual allocation of the Equitable Share. The spending of the conditional grants in full enables the institution to claim VAT from SARS which can be ploughed back to the Capital Replacement Reserve fund (CRR) to replenish the fund.
- 1.4.5 New or additional projects included in the Revised Capital Budget which were not previously approved by *Council* must be fully motivated and accompanied by completed project appraisal forms. It must be noted that it is the requirement in terms of the *Municipal Budget and Reporting Regulations* that the project’s cash inflows and outflows that impact the operating budget be disclosed.
- 1.4.6 The draft Capital Budget and Capital Programme shall;
- (a) indicate separately projects which are;
 - (i) committed projects;
 - (ii) related to maintaining existing services/ infrastructure;
 - (iii) financed by grants and subsidies; and
 - (iv) other projects
 - (b) include the following in connection with new projects;
 - (i) full motivations, including details of their impact on the Operating Budget. These projects must be accompanied by a completed project appraisal form and will be subject to priority rating.
 - (ii) No project shall be considered for inclusion in the Capital Budget/Programme unless the project has been considered by the Budget Steering Committee / Technical Committee and has undergone the prioritisation process. In exceptional cases, however, where the *Executive Director* is of the opinion that it would be in Council's interest not to submit a project for evaluation in the first instance, such a project may be considered by the *Executive Mayor* or delegates the MMC: Budget and Treasury to do so on his/her behalf and shall include the reasons why it is considered necessary to submit the project without evaluation. The cost / benefit analysis is legislatively required to provide impact on the operating budget even if it is done after the project is included in the Capital Budget due to emergency and or political impact reasons.
 - (iii) a monthly cashflow projection for the first full financial year of a project. The cashflow must differentiate between external payments and internal work performed.
 - (iv) classification in terms of the *Integrated Development Plan* and motivation as to how the *Integrated Development Plan* will be supported.
 - (c) indicate projects that have been deleted from the previous programme and reasons for such deletion;
 - (d) be collated by the *Chief Financial Officer*, who shall include the priority rating of the new projects in the Draft Capital Budget and Programme;

1.5 Budget Implementation

- a. In line with section 65 of the MFMA the *City Manager* is responsible for the implementation of the budget, and must take all reasonable steps to ensure that:
 - i. funds are spent in accordance with the budget;
 - ii. expenses are reduced if expected revenues are less than projected; and
 - iii. revenues and expenses are properly monitored.
- b. Executive Directors are responsible for the management and control of the Budgets of their Directorates in conjunction with the *Chief Financial Officer* and shall present reports to the *City Manager* or any *Council Committee* (e.g. Budget and Treasury: Budget Monitoring Steering Committee) in this regard whenever requested to do so.
- c. The *City Manager* must in conjunction with the *Chief Financial Officer* prepare an adjustments budget in accordance with the requirements of the MFMA when such budget is necessary and submit it to the *Executive Mayor* for consideration and tabling in Council, on or before 28 February of each year.
- d. In line with Section 70 of the MFMA the *City Manager* must report in writing to the *Council* any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems. This must also be disclosed in the Monthly, Quarterly, Mid-Year and Annual reports.

1.6 Virementing of Funds

Budgets are approved reflecting different Votes. In terms of the definitions of the Municipal Finance Management Act, a Vote means:

- a) one of the main segments into which a budget of a *Municipality* is divided for the appropriation of money for the different *Directorates* or functional areas of the *Municipality*; and
- b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1.6.1 Virements

Principles Regulating Virements

A *virement* is a shift of funds **within** an approved *vote* (please note the interpretation of “*vote*” under “definition of key words” above. **The *Virement* process must not be seen as an opportunity to amend an originally approved budget, taking into cognisance that approval of a budget, including amendment thereof is the key responsibility of *Council* that “may” not be delegated. It is therefore critically important that the prescribed limits as per this policy are maintained and the Executive Directors ensure that when they approve changes to a budget via the *virement* process such action/s are not impacting to the *SDBIP* (i.e. Service Delivery Budget Implementation Plan) and if they are impacting to the *SDBIP* the proper processes are followed in order to correct / rectify or amend same.**

Changing circumstances and priorities may give rise to a need to *virement* funds within an approved *vote*.

It must be noted at all times that *virements* must be approved before the expenditure is incurred.

The principles regulating *virements* are as follows:

- a. *Virements* are not to be permitted between revenue items in the operating budget;
- b. *Virements* are permitted to facilitate the recording of insurance claims recoveries and the associated expenditure;

- c. *Virements* must be processed within a particular Directorate's Operating Budget, but may not be processed between the following trading services, i.e. Sanitation Service, Water Service, Electricity Service, Refuse Service, Market Service and the Rate and General Service, as the aforementioned services have its own dedicated revenue / funding sources;
- d. *Virements* between Internal Charges budget line items (departmental charges, fleet charges, administrative charges, etc.) and any other budget expenditure line items are not permitted, as internal charges do not represent an actual outflow of cash from the *Municipality*;
- e. *Virements* between the capital budget and the operating budget are not permitted except adjustments that can be made during the Adjustment Budget process which must be approved by Council;
- f. *Virements* to and from the following budget expenditure line items are not permitted: bad debts, finance charges, depreciation, grants to individuals, revenue foregone, insurance and VAT;
- g. *Virements* must not result in the creation of "new" projects on the Capital Budget, as creating a new project within a financial year is only allowed when an item is tabled to *Council* and approved as such (in terms of Section 19 of the MFMA);
- h. Capital Budget related *virements* must be processed within the same funding sources;
- i. The Accounting Officer (City Manager) and the *Executive Mayor* may also prescribe certain Operating Budget line items / projects against which *virements* are discouraged.
- j. All previous resolutions taken by *Council* relating to *virements* must also be considered when dealing with the subject of *virements*, until they are rescinded by *Council* and
- k. Conditional grant funds may not be viremented to projects that are outside the scope as specified in the relevant conditional grant framework as that will be against the MFMA.

Whilst *virements* to or from Employee Related Costs are not promoted they **must** only be considered on exceptional and or prevailing circumstances that cannot be avoided. These *virements* **must** be approved by the *Chief Financial Officer* or his / her representative based on approved *virement* limits as recommended below and commented as such.

1.6.1.1 Virements in Compliance with mSCOA Requirements

a. OPERATING BUDGET VIREMENTS

Due to the implementation of mSCOA (Municipal Standard Chart of Accounts) the processing of *virements* must comply with the mSCOA requirements. In line with mSCOA implementation, *virements* will be allowed to correct cost allocation over the seven segments.

The following are the key points to be taken care of when implementing *virements* in the mSCOA environment;

- a. The function segment must not be changed during the *virement* process.
- b. The Original Budget segment allocation from which the *virement* is made may not be exceeded.
- c. The segment *virement* must remain within the same expenditure for the following categories:
 - (i) Bad debts written off;
 - (ii) Bulk purchases
 - (iii) Depreciation amortisation
 - (iv) Interest Charge
 - (v) Insurance
 - (vi) Revenue Forgone
- d. No *virements* allowed from the following line items
 - i. Training line item 0375;
 - ii. Petrol, Oil and Lubricants line item 0122;
 - iii. Legal Services line item 0270;
 - iv. Communication Equipment and Telephone line item 0365;
 - v. Cellular Telephones line item 0088; and
 - vi. Contract Security line item 0205.
- e. The *virement* must be within the same funding source;

- f. *Virement* transfers must be taken into consideration by the respective *Executive Director* with regards to their *SDBIP*'s in case they impact on same.
- g. Motivations for *virements* must clearly state the reason for the saving within the “transferring” project, as well as the reason for additional amount required in the “receiving” project.
- h. The *virement* form must be completed by the Directorate before capturing the *virement* into the applicable accounting system.
- i. All *virement* documentation must be in order and approved before any expenditure is committed or incurred.
- j. After all *virement* documentation has been duly completed, including all authorisations the budget transfer must be processed within two working days by Budget and Treasury.
- k. Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via a *Council* or an Adjustments Budget (in line with Section 28 of the MFMA).

Revenue

- a. No *virements* will be approved on Revenue related line items / projects / elements. Revenue provisions are to be adopted via *Council* or an Adjustments Budget process.

Specific virement limitations

- a. No *virements* are permitted between Primary and Secondary cost elements.
- b. No *virements* are permitted to and from Grants and Subsidies except if supported by *Council* decision for such transfer and per the approved Grant-in-Aid Policy.
- c. No *virements* are permitted to alter the approved outcomes or outputs of an *Integrated Development Plan*.
- d. Any *virements* resulting in adjustments to the approved *Service Delivery and Budget Implementation Plan (SDBIP)* must be submitted to the *City Manager* after an adjustment budget, with altered output and measurements for further processing and or approval (if permissible). Further to this any amendments thereto must follow the procedure of tabling to Mayoral Committee and approval by Council.
- e. Projected cash flows in the *SDBIP* should be adjusted in line with the *virement*, if approved, and is affecting the *SDBIP*.
- f. No *virements* of funds across votes will be accommodated during the year; unless it is adopted via the *Council* or an Adjustments Budget (This must be read in conjunction with the paragraph that deals with authorities given to the *Chief Financial Officer* during the financial year-end).
- g. *Virements* may not be made between Expenditure and Revenue projects.

Secondary Operating/ Capital Cost Elements

Virements allowed within the same cost elements. *Virements* are permissible, on condition that the respective Charges and Recoveries are amended simultaneously.

Virements are only permitted within the same cost element in the following categories:

- (i) Departmental Charges
- (ii) Internal Billing
- (iii) Activity Based Charges

Virements may not increase the total approved budget of that cost element.

No *virements* which relate to Insurance departmental premiums or Internal Capital Charges will be permitted.

Ward Allocations Projects

Only *virements* between existing projects approved by Council, within the same vote will be permitted or allowed.

b. CAPITAL BUDGET VIREMENTS

- a. Only *virements* which relate to projects approved as part of annual or adjustments budgets will be permitted or will be processed.
- b. *Virements* must be between projects of the same funding sources.
- c. Implementation of the project from which funds are viremented may not be prejudiced (i.e. must not hinder the completion of the project).
- d. Motivation for *virements* should clearly state the reason for the saving within the “transferring” project, as well as the reason for additional amount required.
- e. It must be noted that any *virements* outside the *virement* procedure will result in incurring the Unauthorised / Irregular expenditure and as such will require a section 32 report/s being prepared by the authorising parties to the relevant structures of Council.

1.6.3 Approval of Virements

A request for virementing of funds shall be made by the affected *Executive Director* on the appropriate form, for recording by Budget & Treasury in line with the following limits:

1.6.3.1 Approval of virements in respect of the Operating Budget

Up to R 250 000: Recommended by the affected *Executive Director* for approval by the Chief Accountant – Operating Budget and Financial Accounting.

Up to R 500 000: Recommended by the affected *Executive Director* for approval by the Deputy Director – Operating Budget and Financial Accounting.

Up to R 700 000: Recommended by the affected *Executive Director* for approval by the Senior Director – Budget and Financial Accounting.

Up to R1 000 000: Recommended by the affected *Executive Director* for approval by the *Chief Financial Officer*.

From R1 000 001 to R1 500 000: Recommended by the affected Executive Director, endorsed by the *Chief Financial Officer* and final approval by the City Manager.

1.6.3.2 Approval of virements in respect of the Capital Budget

Up to R 250 000: Recommended by the affected *Executive Director* for approval by the Chief Accountant – Capital Budget and Financial Accounting.

Up to R 500 000: Recommended by the affected *Executive Director* for approval by the Deputy Director – Capital Budget and Financial Accounting.

Up to R 700 000: Recommended by the affected *Executive Director* for approval by the Senior Director – Budget and Financial Accounting.

Up to R1 000 000: Recommended by the affected *Executive Director* for approval by the *Chief Financial Officer*.

From R1 000 001 to R1 500 000: Recommended by the affected Executive Director, endorsed by the Chief Financial Officer and final approval by the City Manager.

Expenditure may only be incurred after the approval of *virement* as set out above for both Operating and Capital Budget. It is against this policy to process *virements* more than once against the same line item / project as that will be seen as circumventing the above paragraphs of the policy. An example can be made when the Directorate prepares the *virement* too or from the same line item that is split into different amounts in order to avoid the *virement* being seen as greater than the above limits.

Any *virement* that is above the value of R1 500 000 up to R15 000 000 must be submitted to the Executive Mayor as an item that must be approved first by him / her prior implementation. The item will then be tabled to Council in order to note the decisions taken by the Executive Mayor relating to amendments to the budget. The item must clearly state if there are any implications or amendments to the IDP, SDBIP or Ward Allocations.

1.6.4 Budget Adjustment

The *Executive Mayor* may table an adjustment budget before *Council* as and when necessary, upon having considered a motivation from an affected Directorate recommended by the Budget and Treasury Committee upon a change in needs or priorities, but must table an adjustment budget when it becomes necessary in the following instances (MFMA Chapter 4 (Section 28)):

- a) Material under-collection of revenue;
- b) To appropriate additional reserves that have become available but only to revise or accelerate spending programmes already budgeted for;
- c) Unforeseen and unavoidable expenditure recommended by the Executive Mayor within a prescribed framework;
- d) May authorise the utilisation of projected savings in one vote towards spending under another vote;
- e) May authorise the spending of funds that were unspent at the end of the past financial year where under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- f) May correct any errors in the annual budget; and
- g) May provide for any other expenditure within a prescribed framework.

All recommendations for budget amendments must contain the financial comments from Budget and Treasury prior to consideration and approval thereof. No Standing Committee (including Council), Sub Committee, Task Team established by *Council* structures can consider any report that impact to financial affairs of the *Municipality* without containing the written financial comments from Budget and Treasury.

1.7 Monitoring and Reporting

1.7.1 A monthly report to Budget and Treasury Committee prepared by the *Chief Financial Officer* shall serve to monitor the actual expenditure against the Budget and cashflow forecasts reflected in the *SDBIP* for the period. Executive Directors shall provide comment to the *Chief Financial Officer* for inclusion in the report or at meetings of the Committee. This monthly report will be in compliance with Section 71 of the MFMA.

On regular intervals the Directorates will prepare budget performance reports, in conjunction with Budget and Treasury, in a standard format to the Budget Monitoring Steering Committee, established by Councillors of the Budget and Treasury Standing Committee in order to monitor spending or revenue raised within Directorates and all other pertinent issues as identified. This Committee must report its findings to other structures of Council (e.g. Budget and Treasury

Standing Committee, Mayoral Committee or Council) or must make suitable recommendations thereto.

1.7.2 Monthly Budget Statements

- a) In accordance with section 71 of the MFMA, the *City Manager* must, not later than ten working days after the end of each calendar month, submit to the *Executive Mayor* and Provincial and National Treasuries a report in the prescribed format on the state of the Municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date. This report must reflect the following:
- i) actual revenues per source, compared with budgeted revenues;
 - ii) actual expenses per *vote*, compared with budgeted expenses;
 - iii) actual capital expenditure per *vote*, compared with budgeted expenses;
 - iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - v) the amount of allocations received, compared with the budgeted amount;
 - vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
 - vii) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by *vote* as set out in the service delivery and budget implementation plan;
 - viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- b) The report to the National and Provincial Treasuries must be both in electronic format and in a signed written document.
- c) Must submit the required Data Strings to be uploaded through the portal to National Treasury. The strings must undergo a validation to ensure that it contains the information as required / regulated by National treasury.

1.7.3 Website Reporting

The *City Manager* must place on the Municipality's official website the following:

- a) the annual and adjustments budgets and all budget-related documents;
- b) all budget-related policies;
- c) the annual report;
- d) all performance agreements;
- e) all service delivery agreements;
- f) all long-term borrowing contracts;
- g) all awards of tenders after having followed the procurement processes; and
- h) all quarterly reports submitted to the *Council* on the implementation of the budget and the financial state of affairs of the *Municipality*; and
- i) Any other reports as deemed appropriate by the *Municipality*.

1.8 Quarterly Reports

- 1.8.1 The *City Manager* working in conjunction with the *Chief Financial Officer* must submit to the *Council* or delegated Council structure (e.g. Budget and Treasury Portfolio Committee) within thirty days after the end of each quarter a report on the implementation of the budget and the financial state of affairs of the *Municipality*. The report must also highlight the areas of risk that may have been identified during the quarter and what mitigating measures should be taken thereof.

1.9 Mid-Year Budget and Performance Assessment

- a) The *City Manager* must assess the budgetary performance of the *Municipality* for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the *Municipality* as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- b) In accordance with section 72 of the MFMA, the *City Manager* must then submit a report on such assessment to the *Executive Mayor* by 25 January each year and to Provincial Treasury and or National Treasury.
- c) The *City Manager* may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.
- d) In terms of Section 54(1) (f) of the MFMA the *Executive Mayor* must promptly submit this assessment report to *Council* by 31 January of each year.

1.10 Other Legislative Reports

- 10.1 The *Chief Financial Officer* must ensure that the financial information which is required for the following annual, six-monthly, quarterly and monthly reports is provided within the required deadlines:

a. Annual Reports

- i. Asset Management;
- ii. Budget Evaluation Checklist;
- iii. Financial Position;
- iv. Financial Position Audited;
- v. Capital Acquisition;
- vi. Capital Acquisition Audited
- vii. Cash Flow Budget;
- viii. Grants and Subsidies Given (paid);
- ix. Grants and Subsidies Received;
- x. Financial Performance Audited;
- xi. Financial Performance Budget;
- xii. *IDP* to Budget;
- xiii. Mid-year budget and performance assessment, and
- xiv. Annual Budget.

b. Six-Monthly Reports

- i. Mid-year Budget and Performance Assessment (Section 72 MFMA)

c. Quarterly Reports

- i. Borrow Monitoring;
- ii. Corporate Entity;
- iii. Long Term Contracts;
- iv. MFMA 12 Urgent Priorities;
- v. Public-Private Partnerships;
- vi. Equitable Share;
- vii. Withdrawals from Municipal Bank Accounts;
- viii. Environment and Health – Allocations and Expenditure, and
- ix. Budget Review (Section 52 MFMA).

d. Monthly Reports

- i. Aged Creditors;
- ii. Aged Debtors;
- iii. Capital Acquisitions Actual;
- iv. Cash Flow Actuals;
- v. Finance Management Grant;
- vi. Financial Performance Actuals;
- vii. Urban Settlements Development Grant;

- viii. Any other Conditional Grant report;
- ix. Budget Statement (Section 71 MFMA); and
- x. Supply Chain Management Awards.

2. MEDIUM TERM EXPENDITURE AND REVENUE FRAMEWORK (MTREF)

- 2.1 The *Chief Financial Officer* shall prepare an MTREF model covering a five year timeframe. This shall enable the *Council* to assess the level of resources that are likely to be available, the service and corporate demands on those resources and the strategies available to manage the financial scenario facing the Council.

3. INCOME

3.1 Levying of Tariffs, Fees and Charges

- 3.1.1 Executive Directors, in consultation with the *Chief Financial Officer*, are responsible for the development of a Tariff Policy in respect of the relevant municipal services for which they are responsible.
- 3.1.2 Tariffs, Fees and Charges for all municipal services shall be determined in accordance with the approved Tariff Policy for the relevant service. These fees and charges shall be reviewed annually by the respective Executive Directors during the budget process, in consultation with the *Chief Financial Officer*. All fees and charges for the ensuing financial year shall be finalised and submitted to their respective Standing / Portfolio Committees for consultation purposes between January to February each year and main Tariffs by the end of March, of each year and be approved by *Council* together with the Budget on or before end May of each year. Upon approval of the Budget, all approved Tariffs, Fees and Charges shall be recorded in Council's website for publicity.
- 3.1.3 The result of this revision of Tariffs, Fees and Charges shall be reported to the Budget and Treasury Committee, even if no changes are proposed, after consideration by the relevant Standing Committee. Tariffs shall be cost reflective and any deviation from this principle shall be motivated by the relevant Directorate to the relevant Standing Committee and the Budget and Treasury Committee.
- 3.1.4 The Budget and Treasury Committee shall only consider a report on Tariffs, Fees and Charges from the relevant Executive Directors if such report includes the comments of the *Chief Financial Officer*.

3.2 Collection and Control of Income

- 3.2.1 The *Chief Financial Officer* is responsible for the management and control of all income received and due to Council. For this purpose, the *Chief Financial Officer* shall ensure the implementation of an effective revenue collection system in terms of the Credit Control and Customer Care By-Law and associated Policies.
- 3.2.2 The *Chief Financial Officer* is responsible for the collection of all monies due to Council. Directorates authorised by the Chief Financial Officer, may collect money for a specific purpose in accordance with the processes and procedures determined by the Chief Financial Officer.
- 3.2.3 Any monies collected by any Directorate of the *Municipality* in terms of an arrangement with the *Chief Financial Officer* shall be paid into the Council's bank account or at the Cashiers of the Budget and Treasury Directorate in conformity with the requirements of the applicable legislation. No monies shall be accepted unless an official receipt can be issued immediately. No Municipal Official may accept any money for any purpose unless authorised by the *Chief Financial Officer*.

- 3.2.4 Receipts issued for all monies collected by Directorates for the credit of the Municipality's account shall be in a form approved by the *Chief Financial Officer* and in conformity with the requirements of the Audit Regulations.
- 3.2.5 All monies due to the *Municipality* must be deposited into Council's bank account opened in accordance with the requirements of the MFMA.
- 3.2.6 All amounts raised for municipal services and legally owed to the *Municipality* shall be recorded in the Council's debtor's system as implemented by the *Chief Financial Officer*.
- 3.2.7 No amount due to the *Municipality* shall be written off as irrecoverable unless the requirements of Council's Credit Control and Customer Care By-law have been complied with. A report for consideration of the write-off of irrecoverable debts shall be prepared by the *Chief Financial Officer* when required and submitted to the Budget and Treasury Committee in the first instance, before submission to the *Executive Mayor* and *Council* for final approval.

4. SUPPLY CHAIN MANAGEMENT (SCM)

- 4.1 All Procurement of goods and services for *Council* business shall be in accordance with the Supply Chain Management Policy of Council, adopted in terms of the Municipal Finance Management Act (56 of 2003) read in conjunction with the Supply Chain Management Regulations (No. 27636 dated 30 May 2005).
- 4.2 The *City Manager* shall appoint the relevant Specification, Evaluation and Adjudication Committees in terms of the Supply Chain Management Policy and shall delegate to the Executive Directors and appointed members of the abovementioned committees, the required powers to execute the Supply Chain Management functions.
- 4.3 Official contracts shall be entered into when appointing contractors or any external service provider. Executive Directors shall ensure that service providers are given clear written instructions regarding the deliverables and performance expected. The desired performance shall be measurable, quantifiable and capable of being certified during or on completion of the task or rendering the service. Contracts shall be signed by the *City Manager* who may delegate "in writing" such function to the relevant Executive Director.
- 4.4 Official Orders shall be issued to successful suppliers/service providers and it is the responsibility of the relevant Directorate to ensure that the appropriate documentation is submitted to the Budget and Treasury Directorate to ensure payment to the supplier/service provider upon delivery of goods or rendering of service/s.
- 4.5 The relevant *Executive Director* shall certify that goods delivered or services rendered are in accordance with the expected quality, quantity or agreed performance. Variations shall be reported and, where necessary, the required authority for such variation shall be obtained by the *Executive Director* from the *City Manager* or relevant authority as prescribed. Under no circumstances shall goods or services be certified for payment if they have not been received or rendered, unless there is a compelling reason for making an advance payment (e.g. subscriptions / attendance of seminars or workshops / newspapers subscriptions etc.).

5. GOODS AND MATERIALS

- 5.1. All goods and materials belonging to the *Council* and held for future consumption shall be retained in Supply Chain Management Sub Directorate of Budget & Treasury. With the approval of the *Chief Financial Officer*, certain goods and materials may be held by Executive Directors in a sub-store, provided that all items not required immediately shall be recorded and accounted for by such departments to the satisfaction of the *Chief Financial Officer*.
- 5.2 A stores record reflecting full particulars of purchases and issues of goods and materials and the balances of stock on hand in Supply Chain Management Sub Directorate shall be

maintained by the *Chief Financial Officer*. Similar stores records shall be maintained by Executive Directors in respect of sub-stores under their control.

- 5.3 An annual stock-take must be undertaken on or before 30 June each year and regular stock-takes shall be conducted on all stores and sub-stores (a minimum of one per financial year) and the results forwarded to the *Chief Financial Officer*.
- 5.4 Stocks shall not, except where the *Chief Financial Officer* is satisfied that special circumstances exist, be carried by or for any Directorate in excess of normal requirements. Whenever it appears to the *Chief Financial Officer* that a proposed purchase would result in infringement of this clause, the Executive Directors shall be advised accordingly and the *Chief Financial Officer*, if it is considered necessary, shall report the matter to the *City Manager* for appropriate action.
- 5.5 Requisitions for goods and materials shall be authorised by the relevant Executive Directors or their authorised nominees, provided written notification of such delegation and the extent of their authority is submitted to the *Chief Financial Officer* within the following categories:
 - (a) not exceeding R2 000 per requisition;
 - (b) not exceeding R10 000 per requisition;
 - (c) not exceeding R30 000 per requisition;
 - (d) not exceeding R200 000 per requisition;
- 5.6 Specimen signatures of all persons authorised to sign requisitions shall be supplied to the *Chief Financial Officer* and updated coinciding with any alterations or changes. When such persons leave the services of the Municipality, the *Chief Financial Officer* shall be advised immediately so that their authorities can be withdrawn.
- 5.7 The *Chief Financial Officer* shall only accept requisitions and orders if sufficient budgetary provision exists to cover a requisition or order presented to the Supply Chain Management Sub Directorate. The *Chief Financial Officer* shall immediately inform the Executive Directors concerned if the budgetary provision is insufficient and the Executive Directors shall be required to either apply for a *virement* by finding savings on their budgets as reflected under Paragraph 1.6 of this Policy. In cases of emergency or other exceptional circumstances, the *Executive Mayor* may authorise unforeseen and unavoidable expenditure where insufficient budget provision may exist. Under such circumstances, the provisions of Section 29 of the MFMA must be adhered to.
- 5.8 Requisitions for uniforms or protective clothing shall only be executed if they are in accordance with the *Council* approved schedule of issue.
- 5.9 Subject to the requirements of the Audit Regulations, the *Chief Financial Officer* shall be responsible for the ordering, custody and issue of receipt forms, tickets, tokens, vouchers of value, and such other stationery as may be necessary.
- 5.10 Unless otherwise agreed with the *Chief Financial Officer*, all surplus goods and materials after completion of works or the fulfilment of the purpose for which they were issued or goods recovered in the course of carrying out works or on hand for any reason whatsoever, shall be returned to and recorded by the Supply Chain Management Sub Directorate without delay. An advice note describing such goods and materials shall be furnished to the Supply Chain Management Sub Directorate by the Directorate concerned. The *Chief Financial Officer* shall, in consultation with the *Executive Director* concerned, decide on the value, if any, to be credited to the appropriate votes or projects.
- 5.11 In the event of the *Chief Financial Officer* authorising a Directorate to return goods or materials direct to the supplier, the *Executive Director* shall ensure that the necessary goods returned note is forwarded to the Supply Chain Management Sub Directorate. Under no circumstances may goods be returned to a supplier without the supplier immediately issuing the goods returned note.

- 5.12 No surplus goods and materials, no matter what the value, may be taken by or sold to any person (including employees and Councillors) other than in accordance with the Supply Chain Management Policy or Asset Disposal Policy of the *Municipality*.

6. OPERATING EXPENDITURE

- 6.1 No expenditure shall be incurred unless provision therefore has been made in the Operating Budget and any expenditure incurred shall be in accordance with the stipulations of the Supply Chain Management Policy.
- 6.2 In the case of an emergency, any unforeseen and unavoidable expenditure not provided for in the Budget shall be authorised by the *Executive Mayor*, in line with section 29 of the MFMA bearing in mind the stipulated limits in terms of the amount that can be approved by the *Executive Mayor*. In respect of expenditure thus incurred, the *Executive Director* in consultation with the *Chief Financial Officer* shall:
- (a) in the case of operating expenditure, report as soon as possible to the *Council* Committee and nominate equivalent reductions; or
 - (b) in the case of capital expenditure, report as soon as possible to the Council, and recommend a reallocation of budget, having regard to priority ratings, full costs including operating expenditure, funding sources and the limit of the total approved Capital Budget.
- 6.3 Any such expenditure must be appropriated in an adjustments budget and approved by *Council*.
- 6.4 No person shall commit the *Municipality* to any authorized expenditure without completion of an official order, which must be submitted to the *Chief Financial Officer* immediately upon completion. The *Chief Financial Officer* shall determine the information to be supplied on such requisition or order.
- 6.5 Should person become aware of or be advised of any unforeseen increase in the price or fees for any service or supply rendered or to be rendered to the *Municipality*, such person shall report the anticipated increase to the relevant *Executive Director* who shall report the increase to the *Chief Financial Officer* or Director: Supply Chain Management Sub Directorate immediately.

7. CAPITAL EXPENDITURE

- 7.1 No capital expenditure shall be incurred or committed to any project unless;
- (a) provision therefore has been made in the approved Capital Budget;
 - (b) any necessary legislative requirements have been met or Provincial or State approvals to incur the expenditure or raise external loans or internal funding source/s have been obtained;
 - (c) clearance has been obtained from the *Chief Financial Officer* for accounting purposes prior to incurring any expenditure;
 - (d) the relevant project has been approved by *Council* for the commencement of incurring expenditure.
- 7.2 When funds for a capital programme are appropriated for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme provided that;
- a) the increase does not exceed 20 per cent of that year's appropriation for that programme;
 - b) the increase is funded within the following year's appropriation for that programme; and
 - c) the *City Manager* certifies that actual revenue for the financial year is expected to exceed budgeted revenue and that sufficient funds are available for the increase without incurring further borrowing.

8. CREDITORS AND PAYMENTS

- 8.1 The *Chief Financial Officer* shall be responsible for the payment of all duly certified accounts due by the *Council* within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of suppliers. Maximisation of settlement discounts shall guide the actual date of payment.
- 8.2 The *Chief Financial Officer* is responsible for ensuring that there is an overall effective creditor payment system in operation and Executive Directors are responsible for making sure that such an effective system operates within their respective Directorates.
- 8.3 Prior to a payment request for goods or services being issued, appropriate checks must be made by the relevant Directorate official, to ensure that:
- i. The supplier is registered on the CSD database;
 - ii. The work, goods or services have been received, carried out and checked according to the original order and to the required quantity and quality;
 - iii. The prices, calculations, discounts, other allowances, credits and VAT are correct;
 - iv. Where necessary the goods or services have been recorded in inventories, Stores records or stock books;
 - v. The invoice has not already been paid, and it is the Council's responsibility to pay it;
 - vi. Sufficient budgetary provision exists in the affected Directorate's Budget;
 - vii. Correct authority for payment exists and is indicated on the voucher;
 - viii. In the case of an SMME or BEE business, there is an indication to that effect on the voucher;
 - ix. The supplier number and vote number are clearly indicated; and
 - x. Municipal VAT details appear on supplier invoices.
- 8.4 Invoices should be original documents that comply with VAT regulations. Where a copy of an invoice is accepted, such invoice must be certified as not having been previously paid.
- 8.5 In the event of an original invoice and payment voucher being lost, a duplicate may be submitted for payment. Such duplicate invoice must be clearly marked "Copy Tax Invoice", clearly endorsed by the supplier and attached to a voucher indicating the reasons for submitting the duplicate.
- 8.6 The *Chief Financial Officer* shall maintain a register (known as the "Authorised Signatory List") of those Municipal Officials who are delegated to authorise payments documentation and other face value documents for payment. The Authorised Signatory List will be subject to periodical review. Executive Directors must provide details of names, signatures and authorised limits of officials delegated to sign or authorise payment request vouchers and claims, to enable the *Chief Financial Officer* to maintain the List. Any amendments must be notified to the *Chief Financial Officer* in writing.
- 8.7 An authorised payment voucher submitted for processing a payment, shall contain the following:
- a) Properly completed details, and
 - b) a "Goods Received Advice" which is attached to the payment request voucher.
- 8.8 Sundry Payment Vouchers submitted for processing a payment shall contain the following:
- a) Properly completed details,
 - b) A Tax Invoice or Invoice which is attached to the sundry payment voucher, and
 - c) Copy of relevant approval, i.e. Council, Mayor, City Manager, etc.
- 8.9 Trade Creditors Payment Vouchers (including Contract Payment Voucher) submitted for processing a payment shall contain the following:
- a) Properly completed details;
 - b) Goods Received Advice (Delivery note); and
 - c) Tax invoice / Invoice.

- 8.10 Sundry Payment vouchers must be authorised for payment by completion of the appropriate sections and certified by a Delegated Official on the Authorised Signatory List. Authorisation of a payment voucher for payment (including an order) shall mean that the delegated official is satisfied that the conditions set out in this policy have been met, that the expenditure is legal and within the budget and that all relevant Policies, Financial Regulations, etc. have been complied with. The officials approving the vouchers for payments (including orders) will be accountable in terms of the MFMA for the payments made by the *Chief Financial Officer*.
- 8.11 An Official who has been responsible for creating a contractual commitment (i.e. placing an order) shall not also authorise the payment voucher for that same commitment. Wherever possible, the functions of receiving and checking of goods/services should be separated from the task of checking and authorisation of payment vouchers. The appropriate signatures and names must be entered on the requisition/payment voucher. These officials will be accountable in terms of the MFMA for all payments made by the *Chief Financial Officer*.
- 8.12 The Requisition / Payment will require details of the cost centre to which the expenditure is to be charged. The official certifying a payment voucher for payment must ensure that the voucher has the correct *vote* number and that the expenditure is being charged to a budget under his/her control.
- 8.13 All Executive Directors must make suitable arrangements within their Directorates for the authorisation of payment vouchers when they are absent for whatever reason. The *Chief Financial Officer* must be notified of such arrangements in order to record same on the Authorised Signatory List.
- 8.14 The *Chief Financial Officer* is responsible for authorising designated cheque signatories within the Budget & Treasury Directorate, which shall be communicated to the bankers of the Municipality. The delegated officials must be informed in writing their limits and authorities. When the *Chief Financial Officer* delegates Budget and Treasury officials to sign EFT's (Electronic Funds Transfer) great care must be taken to ensure that proper segregation of duties is maintained.

9. SALARIES, WAGES AND ALLOWANCES

- 9.1 The Executive Director: Corporate Services shall be responsible for the calculation, reconciliation and payment of salaries, wages and allowances in accordance with Council's approved Salary Scales and or *South African Local Government Association (SALGA)* Collective Agreement.
- 9.2 Payment shall be made in accordance with pay sheets to a nominated bank account of the employee or Councillor.
- 9.3 The *Chief Financial Officer* shall be informed by the Executive Director: Corporate Services, of all appointments, promotions, dismissals, resignations, transfers, absences for any reasons, and all matters affecting the emoluments of employees of the *Council* so that the budget can be continuously maintained. The submission of such information to the *Chief Financial Officer* shall be in such form and at such dates and times as the *Chief Financial Officer* may determine from time to time.
- 9.4 The Executive Director: Corporate Services shall maintain all records essential for the accurate determination of emoluments of employees of the Council.
- 9.5 These records shall be in such form as the *Chief Financial Officer* may determine from time to time and in compliance with audit requirements.

10. PETTY CASH PURCHASES

- 10.1 Purchases by petty cash may only be undertaken in accordance with the prescriptions of the Petty Cash Policy as determined by the *Chief Financial Officer*.
- 10.2 Petty Cash Purchases shall be subject to a transaction limit as determined by the *Chief Financial Officer* in conjunction with the *City Manager* from time to time.

11. ASSET MANAGEMENT

- 11.1 Each *Executive Director* shall be responsible for the management, maintenance, security and control of all assets, either fixed or movable, allocated to, or obtained for the execution of their functions.
- 11.2 In consultation with the Asset Manager and the *Chief Financial Officer*, every *Executive Director* shall maintain an adequate asset management system to account for all assets under the control of the Directorate and shall undertake regular asset verification exercises to ensure the existence and condition of such assets.
- 11.3 Overall accounting control of all assets shall be exercised by the *Chief Financial Officer* who will determine the appropriate records, charges for the use of such assets and other incidental matters in consultation with the *Executive Director* concerned.
- 11.4 Each *Executive Director* will be responsible for all inventories of furniture, equipment and other movable property with a life expectancy of more than one year under the Directorate's control showing quantities and values.
- 11.5 Each *Executive Director* will inform the *Chief Financial Officer* of all new assets procured and annually, upon request from the *Chief Financial Officer*, update such records with relevant values for insurance purposes.
- 11.6 Each *Executive Director* will assess at each reporting date whether there is any indication that the assets under his/her control's useful life have changed since the preceding reporting date. If any such indication exists, the *Executive Director* shall in conjunction with the *Chief Financial Officer* perform an assessment of the useful life and inform Budget and Treasury on what the new expected useful life for their assets is who will adjust the useful life accordingly. Depending on the technical nature of the assets that are assessed, the services of an external service provider may be required and such will be undertaken in terms of the Supply Chain Management processes.

12. DISPOSAL OF ASSETS

- 12.1 The disposal or letting of assets, including unserviceable, redundant or obsolete assets shall be dealt with in terms of the conditions of the Supply Chain Management Policy and the Asset Disposal Policy.

13. CREDIT RATING

- 13.1 All Executive Directors shall at all times apply sound administration within their Directorates and observe budget parameters and target levels to ensure that the credit rating status of the *Council* is not adversely affected.
- 13.2 The *Chief Financial Officer* shall be responsible to engage a reputable credit rating agency to perform a credit rating on an annual basis

14. INVESTMENTS

- 14.1 All funds of *Council* shall be dealt with in accordance with Council's Cash Management and Investment Policy.
- 14.2 The *Chief Financial Officer* or his/her delegated senior official shall determine the cashflow requirements of the Municipality on a regular basis.
- 14.3 *Executive Directors* shall supply such information, including the procurement plans, with regard to capital expenditure as may be required by the *Chief Financial Officer* in order to determine the cash flow requirements. New Capital projects without procurement plans may not be considered or budgeted for during the budget process.
- 14.4 The *Chief Financial Officer* shall be responsible for the investment of Council's surplus funds in accordance with the conditions of the Cash Management and Investment Policy.

15. RISK MANGEMENT AND INSURANCE

15.1 Risk Advisory Committee

- 15.1.1 Each *Executive Director* shall regularly assess the risks associated with that Directorate and shall develop a suitable strategy and action plan to address and mitigate such risks. Such Strategies and action plans shall be discussed and monitored by a Risk Advisory Committee.
- 15.1.2 The *City Manager* shall appoint the chairperson of the Risk Advisory Committee.
- 15.1.3 The appointed chairperson shall be responsible to convene meetings of the Risk Advisory Committee at least on a quarterly basis. The minutes of these meetings shall be presented by the chairperson as an agenda item to the Executive Director's meeting/s.
- 15.1.4 All Executive Directors are responsible to appoint a suitable representative to represent him / her on the Risk Advisory Committee. The area of risk can be coordinated within any risk structure of Council that is already operational (e.g. COO's office or any applicable office) as prescribed by the City Manager.

15.2 Insurance

- 15.2.1 The *Chief Financial Officer* shall be responsible for the management of the Council's insurance fund, covering such risks as the *Council* may from time to time determine and shall ensure that suitable and adequate contributions or premiums are made to the fund annually.
- 15.2.2 The *Chief Financial Officer* shall report to the *City Manager* annually, or when deemed necessary from time to time, regarding the adequacy or otherwise of the insurance fund.
- 15.2.3 The insurance fund shall be protected against excessive losses arising from heavy or numerous claims by suitable reinsurance cover. The *Chief Financial Officer* shall be responsible for reviewing and renegotiating cover through the insurance brokers appointed by the *Council* as agents for that purpose.
- 15.2.4 The Council's insurance brokers shall be procured by public tender in terms of the Supply Chain Management Policy for a determined period and shall be responsible for negotiating all Council's external short-term insurances.
- 15.2.5 The *Chief Financial Officer* shall also be responsible for the placing of insurances other than with the insurance fund, as approved by the *Council* from time to time.

- 15.2.6 Annually before 1 July, the *Chief Financial Officer* shall provide Executive Directors with schedules of all insured items stating their insured value and the premium for the following year.
- 15.2.7 Executive Directors shall be responsible for ensuring that the insurance cover in respect of those assets under their control is sufficient, having regard to the current value and replacement costs of those assets, and shall notify the *Chief Financial Officer* without delay of any new insurable risk or any alteration in an existing insurable risk which has arisen in connection with the department.
- 15.2.8 On the occurrence of any event giving rise or likely to give rise to a claim by or against the *Council* or against its insurers, the *Executive Director* concerned shall notify the *City Manager* (with a copy to the *Chief Financial Officer*) of that event, and the *Chief Financial Officer* shall as soon as possible notify the Council's insurer thereof if the risk is insured externally or is of such a magnitude as to involve the reinsurance company.
- 15.2.9 Executive Directors shall within 30 days of the claim arising, notify the *Chief Financial Officer* of any potential third-party claim, or of fire damage to or loss of the Council's property or of any injury to employees of the *Council* where such matter is or even might be covered by insurance. In the case of third-party claims this is of utmost importance as any delay or failure to report an occurrence can prejudice the Council's rights. Any claims not reported within 90 days of the occurrence will be rejected by the *Chief Financial Officer*.
- 15.2.10 Insurance claims shall only be processed by the *Chief Financial Officer* where confirmation of the insured damage and a request for reimbursement or re-instatement have been authorised by the affected Directorate and received by the *Chief Financial Officer*.
- 15.2.11 Claims received from municipal employees relating to damage of private property suffered as a result of strike action, labor unrests or any action resulting in damage to personal property, can upon referral of the relevant Executive Director, be considered for compensation by the CFO. Such claims will only be considered if supported by the relevant *Executive Director* and all required documentation has been submitted. Compensation will only be considered to re-imburse "out of pocket" expenditure, such as the payment of insurance excesses. Each claim will be evaluated based on its own merits.
- 15.2.12 The *Chief Financial Officer*, with the support of the Council's legal division shall be responsible for the negotiation of claims and the collection of all moneys payable to the *Council* under or in pursuance of any policy of insurance.
- 15.2.13 Reports and claims externally and internally shall be investigated if the *Chief Financial Officer* considers such action desirable, and settlement shall be effected by the *Chief Financial Officer* when the *Chief Financial Officer* is satisfied that the *Council* is liable to pay the claim.
- 15.2.14 The *Chief Financial Officer* shall maintain a register in which particulars of all insurance policies held by the *Council* shall be entered.
- 15.2.15 The *Chief Financial Officer* shall be responsible for the payment of all insurance premiums.
- 15.2.16 The CFO shall transfer to /from the accumulated surplus, to/from the Self Insurance Fund, all excess / short funded funds as determined from time to time as to the appropriate level for the Self Insurance Reserve. The same applies to all other reserves (e.g. COID Reserve, etc.).

16. LOANS

- 16.1 The *Chief Financial Officer* shall be responsible for the raising of loans as may be required from time to time, on such terms and conditions as may be approved by *Council* and in terms of the stipulations as determined by Section 46 (Chapter 6) of the MFMA.

17. ACCOUNTING

- 17.1 The *Chief Financial Officer* shall determine the format, standards and systems applicable to the financial accounting procedures, and shall in doing so take cognisance of Generally Recognised Accounting Practices (GRAP), mSCOA requirements as regulated, guidelines issued by National Treasury and any requirements of the Auditor General.
- 17.2 The *Chief Financial Officer* shall ensure that proper accounting records and registers are opened and maintained. The *Chief Financial Officer* shall prescribe the requirements for access to electronic accounting systems and shall maintain the necessary security and password systems for this purpose.
- 17.3 The *Chief Financial Officer* shall prepare the financial statements in the format determined in Clause 17(1), and any supporting detail as required. Such Financial Statements shall be prepared and submitted to the Auditor-General within two months after the end of the applicable financial year to which the statements relate. Consolidated Financial Statements which include all Municipal Entities, shall be completed within three months after the applicable financial year end.
- 17.3 As the timeframes for concluding the annual financial statements is very strict and limited only to less than two months (i.e. July to August), the *Chief Financial Officer* shall be allowed “only at financial year-end” to implement actions and decisions that will enable the *Municipality* to ensure that the timeframes are met. Such actions or decisions may mean virement of funds or budget amendment across Directorates (or Votes) so that invoices “or any accounting entries” may be processed timeously or Conditional Grants may be fully spent (in line with their conditions), etc. This section of the Policy allows / permits the *Chief Financial Officer* to take such actions or decisions “only at financial year-end” and if necessary report those actions to appropriate *Council* structure/s for noting. The timeframes for preparing the annual financial statements are stated in section **126(1)(a) of the Municipal Finance Management Act (56 of 2003)**.
- 17.4 The annual financial statements must be tabled to the Audit Committee prior being submitted to the Auditor General (AG) which therefore means around the second week of August the annual financial statements must be very close to completion / finality.
- 17.5 The *Chief Financial Officer* must submit the 13th, 14th and 15th month section 71 tables and reports within the legislated timeframes to Provincial Treasury or National treasury and display on the municipal website. These reports may also be submitted to the Budget and Treasury Standing Committee if necessary.
- 17.6 The Auditor General’s reports on the Annual Financial Statements and Performance Auditing shall be submitted to the *Council* as prescribed by legislation.
- 17.7 No revenue collection, accounting, costing or other financial systems shall be introduced in any Directorate and no alteration shall be made to any existing system without the prior approval of the *Chief Financial Officer*.
- 17.8 The *Chief Financial Officer* shall determine the most appropriate computer software system that will best provide for the financial systems of the *Municipality* and shall do so in consultation with the IT Manager to ensure compatibility with hardware systems.
- 17.9 The *Chief Financial Officer* shall determine the basis for calculation of internal charge-outs (if applicable) between Directorates and shall continuously review such charge-outs in consultation with Executive Directors.
- 17.10 No statement, provision or obligation contained in any of these clauses shall in any way detract from the responsibility of each *Executive Director* to maintain any costing and accounting system controlled by an *Executive Director* in such a manner that at all times the

accounting records and registers reflect the complete financial position of the function concerned as accurately as possible.

18. AUDIT MATTERS

18.1 Audit Committee

18.1.1 *Council* shall appoint an Audit Committee in terms of Section 166 of the MFMA. An Audit Committee must consist of at least three persons with appropriate experience of who must not be in Council's employ. The Audit Committee must be appointed by *Council* and one of the members must be appointed by *Council* as Chairperson. The Audit Committee must meet at least four times a year.

18.1.2 The Audit Committee, after consultation with the City Manager, shall be responsible for co-ordinating the functions of the external and internal audit activities and shall have unrestricted access to all *Council* records, documents and information of the *Municipality*.

18.1.3 Regarding external audit matters, the Audit Committee shall;

- a. be available to consult in the appointment of external auditors and the audit fee as decided by the Auditor General;
- b. assess the planning, scope and audit approach for doing the audit;
- c. review all audit management letters and responses submitted by management; and
- d. review the Report of the Auditor General on the financial statements, the response of the *Chief Financial Officer* and any other reports issued by the Auditor General.

18.1.4 Regarding internal audit matters, the Audit Committee shall;

- (a) ensure that an annual internal audit plan is prepared;
- (b) maintain the independence of the audit function;
- (c) consider the major findings of internal audit investigations and evaluate management's response thereto as well as weaknesses in internal controls;
- (d) ensure that quarterly reports are received from the Director: Audit Services; and
- (e) monitor / evaluate activities of the Audit Steering Committee pertaining to the co-ordination of the internal and external audit functions and to ensure the maximisation of resources.

18.1.5 On an ongoing basis the Audit Committee shall review financial control measures, the accounting system and reporting standards, and consider proposals for improving the efficiency, effectiveness and economy of Council's operations.

18.1.6 In addition to approving the internal audit plan, the Audit Committee is authorised to request the Internal Audit Sub Directorate to investigate any other matters which, in its opinion, require attention.

18.1.7 The Audit Committee shall annually submit a report to *Council* on its activities during the year.

18.1.8 If at any time, in the opinion of the Audit Committee, a matter must be brought to the notice of the Council, a report in this regard must be submitted to the *City Manager* with the recommendation that it be submitted to the Council.

18.2 Internal Audit Services

18.2.1 The Internal Audit and Risk Assurance Sub-directorate of the *Council* shall prepare and execute the annual internal Audit Plan approved by the Audit Committee. It shall also perform such duties and conduct such investigations as may be required by law, by Council, *Executive Mayor*, the *City Manager* or the Audit Committee. It shall further, on an ongoing basis, review the internal control systems in all Directorates and make recommendations on changes and improvements as they may deem necessary.

- 18.2.2 Performing such duties or conducting such investigations, the staff of the Internal Audit and Risk Assurance Sub-directorate shall be given access to any departmental records required for the purpose of the audit and the *Executive Director* and every official thereof shall upon request by the Director: Internal Audit and Risk Assurance supply such information as may be required.
- 18.2.3 Executive Directors shall within reasonable time, submit appropriate responses to matters raised by the Internal Audit and Risk Assurance Sub-directorate and shall institute all necessary steps to ensure shortcomings are adequately addressed. In instances where Executive Directors fail to respond appropriately to the Internal Audit and Risk Assurance Sub-directorate on matters raised by them, the Director: Internal Audit and Risk Assurance shall report such cases to the *City Manager* for appropriate action.
- 18.2.4 The Director: Internal Audit and Risk Assurance shall report to the *City Manager* on the results of all investigations, and unless obliged by law, or by resolution of the *Council* or any Standing Committee thereof, the *City Manager* shall when considered necessary, submit such report to the Audit Committee and/or the *Executive Mayor*.
- 18.2.5 The Director: Internal Audit and Risk Assurance shall submit a quarterly report via the *City Manager* to the Audit Committee on the activities of the Internal Audit and Risk Assurance Sub-directorate.

18.3 External Audit

- 18.3.1 Staff of the Auditor-General shall be allowed access to all systems, documentation and records which they may require for the performance of their Audit functions and Directorates shall provide all required documents, records and information within reasonable time to the Auditor-General.
- 18.3.2 Executive Directors shall assist the staff of the Office of the Auditor General by providing information to the satisfaction of the Auditor-General.
- 18.3.3 Executive Directors shall provide adequate responses to audit queries raised by the Office of the Auditor-General within the agreed time frames.
- 18.3.4 Executive Directors shall appoint audit liaison person within their Directorates in order to facilitate the audit process when the staff of the Auditor General have commenced with their annual audit of the financial statements. The audit liaison person will facilitate responses for their respective Directorates.

19. INFORMATION SYSTEMS

- 19.1 The centralised corporate information systems allocated to the Executive Director: Corporate Services shall be maintained in such a way as to ensure the integrity and security of the systems and data.
- 19.2 The Executive Director: Corporate Services shall take all reasonable measures to ensure adequate backup of programmes and data for recovery purposes of the financial records / information.
- 19.3 All program changes shall be recorded for audit purposes and be authorised by the Executive Director: Corporate Services or his/her delegated representatives.
- 19.4 A suitable disaster recovery plan shall be prepared and maintained by the Director: IT in consultation with the Executive Director: Corporate Services and other relevant Executive Directors, to cover all relevant aspects to maintain business continuity in the event of a

disaster. The plan shall be approved by *Council* and be subject to a triennial review as part of the overall corporate plan.

- 19.5 All Executive Directors in conjunction with the Executive Director: Corporate Services shall ensure that all reasonable steps are taken to prevent hardware and software from being infected by viruses. All work stations shall be supplied with the recommended software to assist in providing the necessary protection. This software must be active when the hardware is in operation.
- 19.6 Information systems of any nature which generate financial results used to cost or estimate expenditure for recovery from third parties or which quantify levies, tariffs and other fees and charges must be certified by Internal Audit. Internal Audit must ensure that random certification is undertaken on amendments to the systems.
- 19.7 The IT system in use must be an integrated EMS (Enterprise Management System) that must be able to transact without manual intervention, must be fully integrated with third party vendors and must be fully transacting in the prescribed mSCOA (Municipal Standard Chart of Accounts) environment.

20. REPORTS REFLECTING FINANCIAL IMPLICATIONS

- 20.1 No standing committee (including Council), task team or subcommittee established by *Council* shall consider any report with financial implications until the *Executive Director* concerned has afforded the *Chief Financial Officer* a reasonable opportunity, which shall not be less than three working days before the closing date of the relevant agenda, of submitting financial comments on the matter.
- 20.2 The Executive Director: Corporate Services shall ensure that all reports contain the comments of the *Chief Financial Officer* as required in Clause 20(1) and if such comments were not obtained from the *Chief Financial Officer* by the *Executive Director* concerned, the report shall not be included in the relevant Committee (including Council) agenda.
- 20.3 Projects likely to have a substantial financial impact on the Budget (capital or operating, income or expenditure) must reflect alternative courses of action, the most beneficial alternative, the financial impacts and operating budget consequences, before a project is approved by *Council* for inclusion in any budget.
- 20.4 Any proposed amendment of any by-law with financial implications shall be referred by the *Executive Director* concerned to the *Chief Financial Officer* for comment before consideration by any standing committee (including Council).

21. CONDITIONAL GRANT SPENDING AT FINANCIAL YEAR END

- 21.1 Conditional Grants, as we are aware, are availed to the *Municipality* in terms of the Division of Revenue Act (DORA), and they are availed to the institution with strict terms and conditions that must at all times be met.
- 21.2 In order to ensure that the Capital Replacement Reserve (CRR) is maintained it is the strategy of the institution to encourage Directorates to fully spend their conditional grants availed by National Government within the respective financial years. If Directorates fully spend their conditional grants the advantage is that the 15% Vat Claimable will be transferred to CRR in order to invest more into the infrastructural requirements of the *Municipality*. This is in line with the requirements of the Long Term Financial Management Planning Policy as approved by Council.
- 21.3 In order to ensure that the conditional grants are fully spent at financial year end, the *Chief Financial Officer* is permitted to assess grant spending, **at regular intervals and** closer to financial year-end, effect any re-allocations of the budget or expenditure, **or funding source**

swops or where necessary / conditions of the conditional grants allow so. The CFO must report same to the structures of *Council* for noting thereafter.

22. IMPLEMENTATION OF THE COST CONTAINMENT MEASURES / OPERATIONAL EFFICIENCY WORKPLAN

- 22.1 Executive Directors must ensure that Cost Containment Measures are implemented across the institution as guided by separate *Council* approved guidelines / policies and also taking cue from what National Treasury prescribes from time to time via Regulations / Circulars, etc.
- 22.2 Executive Directors are also encouraged to identify other areas where cost reductions / containment or revenue raising strategies can be implemented within their Directorates, from time-to-time, and also think about any other requirements (e.g. Policy amendments etc.) in order to operationalise such strategies.

23. IMPLEMENTATION OF THE CAPITAL PRIORITISATION PROGRAM

- 23.1 Budget and Treasury, in conjunction with other key roleplayers in the institution will develop a Capital Prioritisation program for considering incorporation of new capital program/s into the Capital Budget.
- 23.2 The qualifying criteria for new Capital Programs to be incorporated in the budget will be determined upfront in terms of the prioritisation program and once such process is implemented there will be no deviations allowed.
- 23.3 If the new capital project does not meet the agreed criteria / requirements in terms of the prioritisation program, such new capital projects will not be incorporated in the Capital Budget for the planned financial year.
- 23.4 The Capital Prioritisation program will be incorporated into the accounting system in use so that there is less risk of manual interference to it.

24. ACCOUNTING POLICIES ACCOMPANYING THE ANNUAL FINANCIAL STATEMENTS (AFS)

- 24.1 The Annual Financial Statements (AFS) that must be availed to the Auditor General for audit on or before end August, in terms of Section 126(1)(a) of the Municipal Finance Management Act (56 of 2003) must be accompanied by the Accounting Policies.
- 24.2 Accounting Policies accompanying the AFS are an indication of how management determines certain accounting related transactions so that there is consistency in application or implementation of the required accounting practices.
- 24.3 Whenever required / necessary management can amend the accounting policies without necessarily having to obtain any *Council* authority thereof, as the effective date of application is determined by the Minister of Finance.
- 24.4 The Accounting Policies are compiled in terms of Directive 5 which determines the GRAP Reporting Framework.

Standards of GRAP which are effective are as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates

GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
Reference	Topic
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Standards of GRAP that may be used in developing an accounting policy:

Reference	Topic
GRAP 32	Service Concession Arrangements: Grantor
GRAP 108	Statutory Receivables
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

Standard of GRAP that an entity may use to disclose information in its financial statements:

Reference	Topic
GRAP 20	Related Party Disclosures

24.5 Municipalities and *municipal entities* are not required to apply or early adopt GRAP 18 **Segment Reporting** as the Minister of Finance has not yet determined the effective date for application by municipalities and municipal entities. From time to time the Minister of Finance will approve new GRAP Standards and will also determine the effective date for application thereof by municipalities and municipal entities.

25. ELECTRICITY TARIFFS APPROVAL BY NERSA (NATIONAL ELECTRICITY REGULATOR OF SOUTH AFRICA)

25.1 As it previously occurred that the approval of electricity tariffs by NERSA is received by the institution very late or close to the beginning of the new financial year. This situation has led to the administration implementing, at times, electricity tariffs that are different to those finally approved by NERSA on certain categories.

25.2 In order to avoid this situation the *Executive Mayor* in conjunction with the *City Manager* must be allowed to implement Electricity Tariffs that are approved by NERSA, if such approval is granted after *Council* has considered and approved the budget. The *Executive Mayor* will then report on the next *Council* meeting the decisions taken and any implications (if applicable).

26. APPLICATION AND REVIEW OF THE POLICY

- 26.1 This policy replaces the Financial Management Policies of *Council* which were reviewed and approved by Council in around 2016, and will be implemented immediately after approval by Council. The Policy will be reviewed once per financial year as it affects the budgetary issues as well or whenever required to do so. The *Chief Financial Officer* will prepare or amend the necessary administrative forms that are used to manage *virement* processes, amongst others relating to this policy.