UGU DISTRICT MUNICIPALITY

Policy Custodian	**Budget & Treasury Office**
Policy Name	**Expenditure & Payroll Policy**
Policy Number	**5/25/P**
Status **Date**	**Adopted** **2025/26FY**
Approved by	**Council** **C/R 11.1**
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Contents

PREAMBLE

The Municipal Finance Management Act, (Act 56 of 2003) read together with the Municipal Budget and Reporting Regulations, provides the legislative framework within which any expenditure-related transactions must take place.

Section 11 of the Municipal Finance Management Act, (Act 56 of 2003) specifically provides the legislative framework for any withdrawals from any bank account in the name of the municipality.

The budget plays a critical role in an attempt to realize the diverse community needs. Central to this, the formulation of this expenditure policy must ensure that the objectives of the MFMA as set out in section 2, is incorporated in the day-to-day administration of the municipality.

This policy must be read, interpreted, implemented and understood against this legislative background.

1. DEFINITIONS

TERMS	**DEFINATION**
MFMA	Municipal Finance Management Act, no. 56 of 2003
Municipality	UGU District Municipality
ACCOUNTING OFFICER	The Municipal Manager or Acting Municipal Manager of the municipality
CFO	The Chief Financial Officer or Acting Chief Financial Officer of the municipality
Expenditure Management	Due diligence to be exercised in the utilization of municipal funds or government funds to ensure value for money in the furtherance of service delivery
Expenditure control	Utilization of municipal or government funds only if funds for such purpose have been appropriated in the approved budget
Capital expenditure	Expenditure on items or projects with a life span of more than 12 months (i.e. other than consumables) which affect financial position of the municipality
Operating expenditure	Expenditure on items or projects written off against accumulated surplus or deficit of the municipality during the year which affect statement of financial performance of the municipality
GRAP	Generally Accepted Accounting Practice
Fruitless and wasteful expenditure in terms of MFMA	Expenditure incurred in vain and would have been avoided had reasonable care been exercised. This expenditure does not add any value to the municipality instead it creates waste or is fruitless
Unauthorized expenditure in terms of MFMA	Expenditure incurred, which was not appropriated in an approved budget which include over expenditure within any vote or account. This includes utilization of funds for other purposes other than an intended purpose.
Irregular expenditure in terms of MFMA	It means: • Expenditure incurred in contravention of MFMA, SCM processes, municipal bylaws, practice notes, directive, any prescripts or regulations issued by Treasury or Minister of Finance

Payments procedures	Controls to be exercised prior to processing and approving any payment to comply with 30 days period in terms of MFMA.
Documents management	Controls and procedures of ensuring that source documents supporting all expenditure transactions are safely kept.
Strong room	The place whereby all used financial documents is safely kept.
Accrual bases	The accounting base whereby each transaction is recognized in the financial records immediately when it is incurred.
Account	The category whereby each transaction is recorded under for accounting purposes.
Cash bases	Accounting base whereby each transaction is recognized in the financial records after the payment has been made
Historical cost	The cost of each expenditure item emanating from the source documents e.g. invoices, vouchers, schedules, agreements, schedules etc.
Responsibility manager	Any employee of the municipality who has managerial responsibilities whether acting or not acting. This also includes employees with supervisory responsibilities.
Emergency	Incidence whereby the following of SCM processes can cause threat to the human lives. This should not be a justification for poor planning.

2. POLICY OBJECTIVES

The objective of the Expenditure policy is to:

a) Set out a framework for the municipality to deal with:

i. All expenditure related transactions;

ii. To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes; and

b) Ensure that all monies due by the municipality is paid in full within the 30 days of date of invoice or statement; whichever is the latest as prescribed by the Municipal Finance Management Act, 2003 (Act No.53 of 2003); and

c) Ensure that the principles applied, as a result of this policy, will enhance and support a healthy working capital position for the municipality

3. PRESCRIPTIVE/LEGAL FRAMEWORK

Ugu District Municipality's Expenditure Management Policy has been developed with recognition of the following prescriptive context – within which it needs to comply:

a) The Local Government Municipal Finance Management Act, Act No 56 of 2003
b) Ugu District Municipality's Supply Chain Management Policy and Procedures;
c) Ugu District Municipality's Integrated Development Plan;

d) The Local Government Municipal Systems Act, Act No 32 of 2000;

e) Cash, Banking and Investment Management Policy

f) Division of Revenue Act,

g) Value Added Tax Act,

h) South African Income Tax Act,

i) Petty Cash Policy

j) Supply Chain Management Policy

k) Cost Containment Policy

4. EXPENDITURE MANAGEMENT

4.1 WITHDRAWALS FROM A BANK ACCOUNT

5.1.1. Any withdrawal from a bank account; in the name of the municipality, may only occur in terms of section 11 of the MFMA.

4.1.2. All withdrawals must comply with the Cash & Investment Policy of the municipality and shall be signed or authorised by not fewer than two people as authorised by the Accounting Officer.

4.2 COMMITMENTS

4.2.1. No councillor or official of the municipality shall commit the Municipality to any authorised expenditure unless the necessary Supply Chain Management processes have been followed.

4.2.2. No employee, councillor, consultant or any person shall temper with Supply Chain Management processes or policy of the municipality in respect of incurrence of any expenditure.

4.2.3. Correct SCM procedures carried out by SCM unit to prevent any irregular expenditure that may occur.

5.2.4 No expenditure shall be incurred verbally, without relevant documentation which is appropriately approved by authorized official following SCM processes. Therefore, no procurement of goods and services shall commence without a proper written documentation to avoid limitation of scope for audit purpose by Auditor-General as that lead to Disclaimer Audit opinion if it happens.

4.3 CREDITORS PAYMENTS

4.3.1. All money owed by the Municipality must be paid within thirty (30) days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

4.3.2. Payments will only be made directly to the person or institution to which a contract was awarded and from which the invoice is received for legally rendering the service to the Municipality.

4.3.3. Invoices submitted should contain banking details of the person/institution to which the contract was awarded to.

4.3.4. All requests for payment, properly certified and accompanied by the relevant invoices and supporting documentation must reach the Creditors' Unit at least 3 days (72 hours) before payments are due.

4.3.5. Invoices or statements submitted for payment to Expenditure Section by any department shall be in such form as may be required and must state the reference to the Purchase order to meet such payment

4.3.6. The municipality shall not pay advance payments prior to goods and services being received unless on exceptional cases whereby it is an industry norm dealing with, that an advance payment is required.

4.3.7. The invoices and statements received must be registered when reaches the Budget & Treasury department so that time lags in processing the payments will be monitored to ensure compliance with 30 days payment period in terms of MFMA.

4.3.8. All departments are required to submit invoices or statements to Expenditure Section within 14 days of receipt if service providers have directly submitted to them.

4.3.9. If the relevant departments are not satisfied about the invoice submitted by the service provider concerned, the communication must be made to that service provider so that any queries will be resolved immediately to fast track the recognition of expenditure/asset and payment.

4.3.10. When a department authorises the payment of accounts the signatory certifies and authorises that: -

(a) All processes in terms of the Supply Chain Management Policy of the Municipality had been followed;

(b) The goods and services have been received and rendered in good order and are under the control of the Municipality;

(c) The account has not previously been submitted for payment;

(d) Sufficient budgetary provisions exist;

(e) If excess expenditure is involved, the resolution authorising the excess expenditure shall be quoted/attached on the voucher;

(f) Fruitless and wasteful expenditure has not been incurred.

4.3.11. Once authorised as per 5.3.10 above, the invoice must be captured in the financial system.

4.3.12. The payments for expenditure shall be made twice a month as follows to ensure that a proper checking and authorization is carried out:

a) On the 15th of each month; and
b) On the last day of the end of each month.
c) Should 15th or last day of the end of the month fall in a weekend, the payment shall be effected on the last working day before the weekend.

4.3.13. The cut-off dates for the submission of invoices or statements to finance department for processing payments shall be as follows:

a) On or before 7th of each month for the payments to be effected on 15th of each month; and On or before 21st of each month for the payments to be effected on the last day of each month.

4.3.14. Prior to effecting the payment for authorization, the following checklist shall be used to ensure validity, accuracy and completeness of such payment:

NO	PROCEDURE/DOCUMENTATION	YES or NO or N/A (Please indicate)
1	Has the Copy of "Tax clearance certificate" attached for payment above "R15 000.00" to determine whether the tax status is in order	
2	Has the Purchase order been attached and correspond to the Invoice, letter of appointment, contract or SLA (i.e. signed by both parties)/3 quotations	
3	Has the confirmation of the receipt of goods and services been made by the relevant department or the user?	
4	Has the arithmetic accuracy of the invoice been performed or casting and cross-casting of invoice performed?	
5	Has the VAT charged been recalculated for a VAT vendor and the invoice written ''TAX INVOICE'' with VAT number reflected on it?	
6	Has the original invoice / tax invoice or payment certificate from the supplier not altered by the user department?	
7	Have the correct banking details of the supplier been confirmed?	
8	Has this payment been thoroughly checked to determine that it is not a double payment? {i.e. Check whether this payment has not been made before to avoid double payment}.	
9	If the transaction emanated from any resolution, has that resolution attached?	
10	Has the source documents confirmed and approved by delegated authorities?	
11	Have all documents been stamped ''paid'' or ''processed'' to avoid double payment?	
12	Is this an UNAUTHORISED, IRREGULAR or FRUITLESS & WASTEFUL EXPENDITURE (indicate if it is)	

The above checking performed by:

	Checked by	Processed by	Reviewed By
NAME AND SURNAME			
DESIGNATION			
SIGNATURE			
DATE			

4.3.15. All payments due by the Municipality shall be made by approved electronic payment method from the banking account of the Municipality.

4.3.16. Certain payments may be made from petty cash in accordance with the Supply Chain Management Policy and Petty Cash Policy as amended from time to time.

4.3.17. The procedures in terms of the petty cash payments must be followed in respect of petty cash policy:

4.4 INTEREST ON LATE PAYMENTS

4.4.1. The municipality shall avoid in all material respect the incurrence of interest on late payment.

4.4.2. In the case that the interest charge is due to the negligence of an official the expenditure is classified as fruitless and wasteful expenditure.

4.4.3 There shall be the Register of Fruitless and wasteful expenditure to be updated on a monthly basis.

4.4.4 Fruitless and Wasteful expenditure including condoned expenditure shall be disclosed in the Annual Financial Statements for audit by Auditor-General as required by MFMA.

5.5 EXPENDITURE MANAGEMENT CONTROL

5.5.1. Each responsibility manager or supervisor of the municipality is expected to manage all funds appropriated to his or her area of responsibility;

5.5.2. Each responsible manager is expected to implement adopted budget by Council immediately from 01 July each financial year per approved SDBIP and report such implementation to the relevant portfolio, EXCO and Council on a regular basis.

5.5.3. Each department must prepare Procurement Plan and submit it to SCM unit to ensure timely implementation of the approved budget. The Procurement Plan shall inform the implementation of the budget.

5.5.4. The following control procedures shall be exercised prior to the incurrence of any expenditure (i.e. at requisition level):

a) The written confirmation of the availability of funds per budget adopted by Council in the form of financial comment by Manager: Budget & Financial Reporting or by delegated official in his or her absence as follows:

Vote / account number	**Xxxxxx**
Vote / account description	**Xxxxxx**
Name of the project (if any)	**Xxxxxx**
Funding Source (e.g. Equitable Share, MIG, Revenue from services	**Xxxxxx**
Total Council Approved budget	**Rxxxxx**
Less: Actual expenditure to date	**(Rxxxx)**
Less: Actual Commitments	**(Rxxxx)**
Available budget	**Rxxxxx**
Requested amount	**(Rxxxx)**
Closing balance	**Rxxxxx**

b) The confirmation of correctness of the vote to be utilized and availability of budget thereof must be made by Budget Office.

5.6 GRANT EXPENDITURE

5.6.1. No payments will be allowed in respect of Grant Funded projects unless Grant Funds have been received.

5.6.2. Council may, however, approve payments before any funds have been received but only where funds have already been committed to in writing, by the relevant state department or other institution.

5.6.3. The relevant department must obtain approval for bridging finance, as referred to in subparagraph 5.5.2.

5.7 CAPITAL EXPENDITURE

5.7.1. No capital expenditure shall be incurred or committed to any project unless: -

a) Duly appropriated in an approved Capital budget or Adjustments budget; and
b) All necessary legislative requirements have been met as set out in the MFMA section 19, Budget and Reporting Regulations sections 11 and 13 and the Supply Chain Management Policy of the municipality.

5.8 VALUE ADDED TAX

5.8.1. All taxable expenditure transactions shall be recorded at vat exclusive amounts;

5.8.2. The vat input portion shall be accounted and recorded separately in the accounting records and update VAT control account;

5.8.3. The vat input on taxable supplies shall be claimed from SARS on payment basis in the form of completion and submission of VAT 201 return to SARS;

5.8.4. The VAT reconciliation shall be performed on a monthly basis.

5.9 SALARY OR PAYROLL MANAGEMENT PROCEDURES

5.9.1 The municipality uses PayDay Software Systems as its payroll system to process all payroll-related transactions.

5.9.2 All submissions and memorandums of remunerations from different departments and Human Resources section should be submitted on or before the 10th of each month to allow Payroll Section to process the data in time so that any errors are detected early before the salary runs. If the 10th is on the weekend, then the next working day will be the due date.

5.9.3 Documents received after the closing date in a specific payroll cycle will be processed for the next payroll cycle unless otherwise communicated and authorized in writing by the Human Resources Manager.

5.9.4 The salary payments shall be effected on the 20th of each month.

5.9.5 If the 20th falls on a holiday or weekend, salary payment shall be effected on a working day before the 20th of the month.

5.9.6 Should there be any circumstances which are beyond the control of the municipality, the salary payments must not be in arrear for more than 48 hours.

5.9.7 Human Resources is responsible to notify the Expenditure Section of all appointments, promotions, dismissals, resignations, transfers, absences for any reasons, and all matters affecting the emoluments of employees of the municipality.

5.9.8 The closing date for the submission of salary input to Expenditure shall be set and communicated with Human Resources section annually.

5.9.9 The Expenditure section shall only receive salary input from Human Resources section.

5.9.10 On the 20th the Expenditure section shall advise the Financial System Support section to upload pay slips into Employee Support System.

5.9.11 The Expenditure section shall prepare payroll returns and reconciliations on a monthly basis.

5.10 PAYROLL DEDUCTIONS/3rd PARTY PAYMENTS

5.10.1 Authorized deductions only may be processed and deducted from remuneration.

5.10.2 Authorized deductions include, but is not necessarily limited to, deductions in respect of an employee's PAYE and UIF obligations, contributions in respect of membership fees to accredited pension funds, medical aid and insurances, bonds, garnishee orders, union membership and any other approved scheme or deduction authorised in terms of a collective agreement or legislation.

5.10.3 Deductions authorised by any legislation/ SARS-ITA do not require an agreement with the employee for such deductions to be made.

5.10.4 The payroll deduction payments shall be effected on the 7th of each month, with the exception of Bonds, which shall be effected on the 25th of each month.

5.11 STAFF BONUS

5.11.1 All municipal employees regardless of their designation who have worked at least one month during the financial year are entitled to a bonus pay.

5.11.2 The bonus represents a thirteenth cheque over a period of twelve (12) months or shorter in the case of pro-rata bonus

5.11.3 Interns, In-Service Trainees, Apprentices and Expanded Public Works Personnel (EPWP) do not qualify for annual bonuses, except the MFMA Interns.

5.11.4 The bonus pay shall be the amount equal to the monthly Basic Salary earned by the employee.

5.11.5 If the employee has not completed the 12 months within the employment, bonus shall be paid on pro-rata basis.

5.11.6 Bonus payments are effected on the month of August yearly for Ugu appointed employees with the exception of transferred staff from other governmental departments.

5.12 OVERPAYMENTS

5.12.1 The municipality reserves the right to recover all the monies from the affected employees / councillors the moment the error is detected.

5.12.2 The recovery will take effect after consultation with the employee or councillor.

5.12.3 The written communication will be delivered within 2 working days of discovering the overpayment.

5.12.4 Should the affected employee or councillor decide to make an immediate payment regarding the overpayment, such an employee or councillor must deposit the monies to municipality's bank account.

5.12.5 Should an employee or councillor does not respond to the written notification as per 5.12.3 above it will be considered as the employee or the councillor agrees with the recovery terms as set out in the communication.

5.12.6 Should an employee or a councillor decide to make payment arrangement, the arrangement must not exceed 3 months after he or she has been notified.

5.12.7 In the event of a dispute, the final discretion and approval will rest with the Accounting Officer.

5.12.8 It is the duty of the employee or councillor to declare any overpayments or underpayments

5.13UNDERPAYMENT

5.13.1 It is the responsibility of an employee/ councilor to report any underpayments

5.13.2 The employer will investigate the reasons for underpayment of an employee/councilor

5.13.3 The written communication will be delivered within 2 working days of discovering the underpayment.

5.13.4 The re-imbursement will be processed in the next salary run

5.14 DOCUMENTS MANAGEMENT

5.14.1 All expenditure incurred by the municipality shall be supported by all relevant documentation.

5.14.2 The source documents for all expenditure shall be filed sequentially separated by months in which it occurred.

5.14.3 The source documents supporting all expenditure shall be scanned immediately when payment for such expenditure has been processed and finalized to be protected from any incidence of fire that might occur

5.14.4 The filled source documents must be easily accessible or retrievable for audit or any reference purposes.

5.14.5 The original source documents shall be filed and kept in the strong room as well sequentially numbered per month.

5.15 ACCOUNTING PRINCIPLES

5.15.1 The Standard Chart of Accounts (SCOA) prescribed by National Treasury (NT) shall be used to record any expenditure transaction incurred by the municipality in terms of Item Segment.

5.15.2 Each expenditure incurred shall be recognized in terms of accrual bases of accounting.

5.15.3 The expenditure incurred shall be measured at historical costs whereby actual cash has been utilized using source documents e.g. invoices, vouchers, agreements, schedules etc.

5.15.4 In the case of non-cash items e.g. depreciations, provisions, amortizations, impairment losses etc. shall be measured at estimated costs using reasonable assumptions.

5.15.5 The bad debts written offs shall be measured at book value written off.

5.16 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

5.16.1 The municipality shall avoid in all material respect the incurrence of unauthorized, irregular and fruitless and wasteful expenditure.

5.16.2 Each official and councillor must prevent unauthorized, irregular, fruitless and wasteful expenditure and any theft and losses to be suffered by the municipality. The incidence of such expenditure or theft and losses must be reported timely to the relevant senior official in writing for appropriate action to be taken.

It is also the responsibility of all officials to advice councillors if any transaction to be incurred as approved by councillors is likely to result in an unauthorized, irregular and fruitless and wasteful expenditure.

5.16.3 The unauthorized, Irregular and Fruitless and Wasteful Expenditure shall be dealt with in terms of section 32; 171; 173 and 174 of the Municipal Finance Management Act (MFMA) and the Regulations on Financial Misconduct.

5.17 UNFORESEEN AND UNAVOIDABLE EXPENDITURE

5.17.1 The mayor of the municipality may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

5.17.2 Any such expenditure---

- a) Must in the best interest of the municipality and the community at large it is serving;
- b) Must be in accordance with any framework that may be prescribed;
- c) May not exceed 8% of the approved budget for a specific purpose;
- d) Must be reported by the Mayor to the municipal council at its next meeting; and
- e) Must be appropriated in an adjustment budget.

5.17.3 If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and section 32 of the MFMA applies.

6. MONITORING AND EVALUATION

6.1 This Policy shall be monitored and evaluated by the General Manager: Budget and Treasury Office and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee and Full Council Meetings.

7. COMMENCEMENT OF THE POLICY

7.1 This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

8. AMENDMENT AND/OR ABOLITION

8.1 This policy may be amended or repealed by the Municipality through a Council Resolution.

9. COMPLIANCE AND ENFORCEMENT

9.1 Violation or non-compliance with this policy will give a just cause for disciplinary steps to be taken.

10. POLICY REVIEW

10.1 This Policy will be reviewed annually to ensure applicability and relevance.

Records of Approval

Review 2021/2022		
Policy Review Committee	20 January 2022	Recommended to MANCO
MANCO	24 January 2022	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	03 February 2022	Recommended to EXCO
EXCO	06 March 2022	Recommended to council
Council	26 May 2022	Approved

Review 2022/2023		
Policy Review Committee	10 February 2023	Recommended to MANCO
MANCO	24 April 2023	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	16 MAY 2023	Recommended to EXCO
EXCO	17 May 2023	Recommended to council
Council	25 May 2023	Approved

Review 2023/2024		
Policy Review Committee	14 February 2024	Recommended to MANCO
MANCO	11 March 2024	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	20 March 2024	Recommended to EXCO
EXCO	20 March 2024	Recommended to council
Council	23 May 2024	Approved

Review 2024/2025		
Policy Review Committee	14 February 2025	Recommended to MANCO
MANCO	19 May 2025	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	26 May 2025	Recommended to EXCO
EXCO	26 May 2025	Recommended to council
Council	29 May 2025	Approved

Review 2025/2026		
Policy Review Committee	24 February 2026	Recommended to MANCO
MANCO	04 May 2026	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	12 May 2026	Recommended to EXCO
EXCO	20 May 2026	Recommended to council
Council	28 May 2026	Approved