
FINANCIAL BY-LAWS

KGALAGADI DISTRICT MUNICIPALITY

FINANCIAL BY –LAWS

Preamble

Whereas one of the constitutional objectives of local government is to provide democratic and accountable government for local communities;

Whereas section 10G of the Local Government Transition Act, 1993, requires every municipality to conduct its financial affairs in an accountable and transparent manner;

Whereas there is a need to have financial by-laws to guide the actions of political structures and municipal officials at local government level;

Be it therefore enacted by the Municipal Council of the Kgalagadi District Municipality as follows:

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1. Budgets

Strategy and macro control

- 1.1 (a) The Capital and Operating Budgets for the ensuing financial year and the Capital Programme for the following two financial years shall be

drawn up in the form prescribed and within the levels determined by the Mayoral Committee with due consideration of the maximum expenditure levels determined by the Minister of Finance.

- (b) The ensuing year's budget shall be in line with the goals and objectives as contained in the integrated development plan. The Heads of Departments, in consultation with the Municipal Treasurer, shall utilise either cost centres or line items in the accounts chart to permit analysis of the budget.
- 1.2
 - (a) At the commencement of the budget process (approximately September), the Municipal Treasurer shall submit proposed budget levels and financial targets to the Mayoral Committee for consideration in relation to the ensuing year's budgets. The approved levels and targets will also be released for comment by registered interest groups.
 - (b) In order to increase consultation and community participation in the budget process, Heads of Departments shall meet with their respective Chairpersons and Portfolio Councillors during September/October to discuss the forthcoming budget and requirements. This process should be combined with and supported by the requirements of sections 2(1) and 2(4)(a) and Chapter 4 of the Act.
- 1.3 The levels and targets shall be included in the guidelines issued by the Municipal Treasurer to Heads of Departments (approximately in October) in regard to the preparation and completion dates of the Capital Budget/Programme and the Operating Budget.
- 1.4 The scrutiny and accuracy of budgets and actual expenditure or income shall be the responsibility of Heads of Departments in consultation with the Municipal Treasurer. The Head of a Department shall advise the Municipal Treasurer of the name of the employees who will act as the cost centre controllers and who shall be accountable to the Head of a Department for the following:
 - (i) Determining key performance indicators;
 - (ii) Monitoring actual expenditure and income against budgets;
 - (iii) Liaising with the Municipal Treasurer or the departmental accountant.
 - (iv) Authorising expenditure in terms of delegated powers granted by the Municipal Treasurer.
 - (v) Regular of specific reporting of variances compared to budgets.

Capital budget and capital programme

- 1.5 Every Head of a Department shall , in respect of the activities of the Department, in consultation with the Municipal Treasurer, prepare;-

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- (a) when requested by the Municipal Manager, a revised Capital Budget reflecting approximate results 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 Programme shall become the new Capital Budget and Year Three of the current Capital Programme shall become Year Two in the new Capital Programme; and
 - (ii) new projects shall enter the Programme in Year three.
- 1.6 Special circumstances must exist for a project to enter the Capital Budget or Programme in any other way.
- 1.7 A Revised Capital Budget shall be:-
- (a) collated by the Municipal Treasurer;
 - (b) considered by the Management Team, Mayoral Committee and the Council during January
- The following rules shall apply;-
- (i) 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;
 - (ii) 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;
 - (iii) projects that have been deleted must be stated and the reasons for deletion must be indicated.
- 1.8 Councillors may submit to the Mayoral Committee by 31 August in any year properly motivated written proposals for consideration in conjunction with the Capital Budget and Capital Programme.
- 1.9 By notice to the local community, the Executive Mayor shall invite members of the local community to submit properly motivated written proposals by 31 August in any year for consideration in the Operating Budget, Capital Budget and Capital Programme.
- 1.10 All proposals received from whatever source shall be collated by the Municipal Manager and submitted to the relevant Heads of Departments, who shall assess evaluate and prioritise all proposals on the following basis;-
- (a) Targets set in the IDP
 - (b) providing in the basic needs of the community;

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- (c) promoting social and economic development within the area of jurisdiction;
 - (d) financial sustainability;
 - (e) technical feasibility;
 - (f) total cost, impact of debt servicing and other effects on future operating budgets; and
 - (g) planning required and the duration of the project.

1.11 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.

No project shall be considered by the Mayoral Committee for inclusion in the Capital Budget/Programme unless the project has been considered by the Financial Committee. In exceptional cases, however, where the Executive Mayor is of the opinion that it would be in the interest of the municipality not to submit a project for evaluation in the first instance, such a project may be considered by the Mayoral Committee and shall include the reasons why it is considered necessary to submit the project without evaluation.
 - (ii) a monthly cash flow projection for the first financial year of a project. The cash flow must differentiate between external payments and internal work performed.
 - (iii) classification in terms of the Integrated Development Plan (IDP) and motivation as to how the IDP will be supported.
- (c) indicated projects that have been deleted from the previous programme and reasons for such deletion;
- (d) be collated by the Municipal Treasurer, who shall include the priority rating of the new projects in the Draft Capital Budget and Programme;

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- (e) be considered by the Management Team during February and shall indicate clearly;-
 - (i) the progress of existing approved projects;
 - (ii) projects deleted;
 - (iii) the projects recommended for inclusion; and
 - (iv) new projects not recommended for inclusion.
 - (f) be discussed informally during the last week of February by Heads of Departments, Chairpersons of the responsible standing committees, and Portfolio Councillors.
 - (g) be considered by the Mayoral Committee during March; and thereafter
 - (i) be open for inspection by the local community through organised civic bodies and public meetings in accordance with Council's scheduled calendar of meetings; and
 - (ii) be considered at a special Council meeting during March. The Council shall not increase the Capital budget or Capital Programme at such meeting.
- 1.12 The financial monthly report to the Mayoral Committee prepared by the Municipal Treasurer shall also serve to monitor the actual capital expenditure against the Budget and cash flow forecast for the period. Heads of Departments shall provide comment to the Municipal Treasurer for inclusion in the report or at meetings of the Committee.
- 1.13 The Council may during the year consider a report from the Executive Mayor on the reallocation of project expenditure within the approved Capital Budget or Capital Programme ceilings.

Operating budget

- 1.14 Every Head of a Department shall annually in respect of the activities of the Department, prepare a draft revised Operating Budget for the current financial year and a draft Operating Budget for the ensuing financial year in consultation with and the assistance of the Municipal Treasurer.
- 1.15 The draft departmental Operating Budgets shall be compiled within the levels set in Clauses 1(a) and 1(b) and shall be:-
- (a) collated and consolidated by the Municipal Treasurer;

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- (b) considered by the Management Team during March/April;
 - (c) given overall consideration by the Mayoral Committee at a special meeting during April, supported by a report thereon by the Municipal Treasurer;
 - (i) be discussed informally during the last week of April by Heads of Departments, Chairpersons of the responsible Standing Committees, and Portfolio Councillors;
 - (ii) be open for inspection by the local community through organised civic bodies and public meetings in accordance with Council's scheduled calendar of meetings;
 - (d) considered by the Mayoral Committee during May supported by a report thereon by the Municipal Treasurer. The Municipal Treasurer shall incorporate any reasonable comments or problems identified and suggested solutions by Heads of Department in the report; and
 - (e) considered by Council at a special meeting held during May. At such meeting, Council shall not increase expenditure or reduce income that has not been considered and reported on by the Mayoral Committee.

1.16 Heads of Departments will have the opportunity to present their departmental budgets for the ensuing year to the Mayoral Committee meeting in May.

1.17 The approved Operating Budget shall not reflect a cash deficit.

2. Financial plans

2.1 Financial plans shall be prepared by Heads of Departments in consultation with the Chairpersons of Standing Committees, and Portfolio Councillors. At least one annual consultation, which shall be reflected in the official calendar of meetings, shall take place during each financial year.

2.2 Financial plans shall be submitted as required in terms of departmental circulars issued by the Municipal Manager for the preparation of budgets and financial statements, and shall include-

- (a) a mission statement for the department;
- (b) key strategic objectives;
- (c) a short description of the organigram and functions performed;
- (d) a budget summary and 3 (three)-year forecast;
- (e) the cost of main activities with key performance indicators;
- (f) explanations of major variances in the Operating Budget for expenditure and income compared to the previous budget; and

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- (g) a short description of the major capital projects and non-recurring expenditure budgeted for the ensuing year.
- 2.3 The purpose of financial plans is to focus a department, service or project on future operations against planned, measurable and achievable objectives, which support the overall IDP. The operational objectives shall be measured against achieved results. All variances, both positive and negative, as required in Clause 2.4(a) shall be reported to the Mayoral Committee by Heads of Departments via the Municipal Manager.
- 2.4 Financial plans shall be updated at least three times during a financial year as follows:-
- (a) when actual figures are available at the end of a financial year (approximately September/October).
 - (b) during consideration of the draft budget for the ensuing year (February/March)
 - (c) after final approval of the Operating and Capital Budgets for the ensuing year (June). This final update may be utilised for publication.

3. Reports affecting finances

- 3.1 No standing committee, task team or subcommittee established by Council shall consider any proposal with financial implications in excess of the values applicable to Operating Budget virements, in the case of operating expenditure (refer Clause 5(14)), or Capital Budget virements, in the case of capital expenditure, (refer Clause 5 (11)) until the head of a Department concerned has afforded the Municipal Treasurer a reasonable opportunity of submitting financial comments on the matter, which shall not be less than three working days before the closing date of the relevant agenda.
- 3.2 The Head: Administration shall reject items or reports to Committees, which do not contain the comments of the Municipal Treasurer as required in paragraph 3(1).
- 3.3 Projects likely to have an impact which exceeds R0.5 million (capital) or R50 000.00 (fifty thousand Rand) operating, income or expenditure must specify 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: Provided these amounts may be revised annually by Council.
- 3.4 Any proposed by-law or amendment of any by-law with financial implications shall be referred by the Head of a Department to the Municipal Treasurer for comment before consideration by any standing committee.

4. Income

Fees, Tariffs and rates

- 4.1 Heads of Departments must annually review all fees, service charges and other charges to be included in the operating budget in accordance to Council's tariff policy in such a way that: -
- (a) users and consumers are treated fairly, equitably and without bias in the application of tariffs;
 - (b) the amount a user pay for services is in proportion to the use of that service;
 - (c) tariffs reflect the cost of the service;
 - (d) tariffs are set at levels that secure the financial sustainability of the service;
 - (e) it encourages and promotes the efficient use of scarce resources.
- 4.2 The result of this revision shall be reported to the Mayoral Committee, even if no changes are proposed. The Head of a Department shall indicate the reasons for tariffs not recovering the respective costs.
- 4.3 The Mayoral Committee shall make no decision concerning fees, tariffs or other charges without first considering a report from the Head of the Department concerned incorporating the views of the Municipal Treasurer.
- 4.4 The Municipal Treasurer must calculate property rates to balance the budget and to ensure that the credit worthiness of the municipality is maintained by providing for;-
- (a) bad debts;
 - (b) working capital;
 - (c) debt servicing costs; and
 - (d) Provisions and reserves.

Collection and control of income

- 4.5 The Municipal Treasurer shall maintain the Credit Control and Debt Collection Policy of the municipality, including;-
- (a) credit control procedures;

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- (b) debt collection procedures;
 - (c) provision for indigent debtors consistent with its rates and tariff policies and national guidelines;
 - (d) for levies
 - (e) arrangements for payment of debt;
 - (f) matters relating to unauthorised consumption of services, theft and damages.
- 4.6 The Credit Control and Debt Collection Policy of the municipality must be reviewed annually by Council to ensure sustainability of service delivery and access to the capital market. A report in this regard shall be submitted to Council by the Executive Mayor.
- 4.7 The Municipal Manager shall be responsible for the collection of all monies due to the Council, provided that by arrangement with and under the control of the Municipal Treasurer, monies may be collected by other Departments.
- 4.8 Any monies collected by any Department of the Municipality shall be paid to the Municipal Treasurer or banked in conformity with the requirements of the Audit Regulations.
- 4.9 All amounts owing to the Municipality shall be accrued via the debtors system of the Municipal Treasurer and no amount due to the Municipality shall be written off as irrecoverable without the approval of the Mayoral Committee.
- 4.10 Receipts issued for all monies collected by Departments for the credit of the Municipality's account shall be in a form approved by the Municipal Treasurer and in conformity with the requirements of the Audit Regulations. No monies shall be accepted unless a receipt therefore can be issued immediately.

5. Expenditure

- 5.1 The Council shall not approve any capital or operating expenditure until it has been considered and reported on to Council by the Mayoral Committee.
- 5.2 No expenditure shall be incurred unless provision therefore has been made in the Operating Budget.
- 5.3 Work, approved by the Council or under delegated authority either specially or generally, may be undertaken on behalf of a third party only when the full costs are recovered in advance of the commencement of the work.

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- 5.4 In the case of an emergency, any proposed expenditure not provided for in the Budget shall be authorised by the Head of a Department after the Executive Mayor and the Municipal Manager have been advised of the intended action. In respect of expenditure thus incurred, the Head of a Department shall:-
- (a) In the case of operating expenditure, report as soon as possible to the Mayoral Committee and nominate equivalent reductions; or
 - (b) In the case of capital expenditure, report as soon as possible to the Mayoral Committee and recommend a reallocation of expenditure, having regard to priority ratings and the limit of the total approved Capital Budget.
- 5.5 No persons shall commit the Municipality to any authorised expenditure without completion of an official requisition or order, which must be submitted to the Municipal Treasurer. The Municipal Treasurer shall determine the information to be supplied on such requisition or order.
- 5.6 Should any Councillor or municipal employee 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 increase to the Mayoral Committee.
- 5.7 Municipal representatives on various organisations have a general mandate to resist increases in membership fees or other increases, which may have a substantial effect on the expenditure of the Municipality. As soon as possible after becoming aware of such increase, the Mayoral Committee shall be approached for a specific mandate.

Capital expenditure

- 5.8 No capital expenditure shall be incurred or committed to any project unless:-
- (a) Provision therefore has been made in the approved Capital Budget;
 - (b) All necessary legislative requirements have been met or Provincial or State approvals have been obtained to incur the expenditure or raise the external loan or make the internal advance;
 - (c) Clearance has been obtained from the Municipal Treasurer for accounting purposes prior to incurring any expenditure.
- 5.9 Amendments to the approved Capital budget shall not cause the total of the said approved Budget to be exceeded, except:-
- (a) As provided for in sub-clause (10) hereof, or
 - (b) With the authority of the Mayoral Committee, where the additional capital expenditure involved will not affect the Operating budget.

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- 5.10 Where capital expenditure provided for a particular purpose in the previous year's Budget has not been fully incurred in that year and the unspent balance of expenditure, or any portion of it, must in the opinion of the Head of a Department concerned be incurred during the current financial year, such balance of expenditure, if not duly provided for in the current year's Budget, shall only be authorised if the total separate funding sources impacting on the municipal operating account for the particular service for the previous year will not be exceeded.
- 5.11.1 No under-expenditure on an amount budgeted for a specific purpose may be applied to meet additional expenditure on an approved capital project without the approval of the Mayoral Committee, except that virement not exceeding R100 000.00 in a specific case within a service and the same funding source, shall be permitted where the Head of a Department and the Municipal Treasurer agree.
- 5.11.2 Virements to and from specific capital projects may not exceed that limit within a financial year without the approval of the Mayoral Committee.

Operating expenditure and expenditure from provisions and special funds

- 5.12 No saving on an amount budgeted for a specific purpose may be applied to meet expenditure for another purpose, whether budgeted for or not, without the approval of the Mayoral Committee, except that virement not exceeding R20 000 in a specific case within a service shall be permitted where the Head of a Department and the Municipal Treasurer agree. Virements to and from specific operating budget line items may not exceed that limit within a financial year without the approval of the Mayoral Committee.
- 5.13 Should a Head of a Department have reason to believe that any budgetary provision is or will be insufficient, or that estimated income is unlikely to be received, a report shall forthwith be submitted to the Mayoral Committee. The reasons for the anticipated excess expenditure (or shortfall in income) shall be stated and any budget amendments that can be effected in order to meet the excess or shortfall shall be indicated.
- 5.14 Subject to the provisions of National and Provincial Legislation:-
- (a) Additional expenditure not exceeding R250 000 per item may be approved by the Mayoral Committee;
 - (b) Additional expenditure exceeding R250 000 per item shall require the approval of Council.
- 5.15 Notwithstanding clause 5.14 above and subject to the approval of the revised Operating Budget the Management Team, Heads of Departments, in consultation with the Municipal Treasurer, may operate within the limits of the revised Operating Budget in respect of expenditure designated "General Expenses" and "Repairs and Maintenance" where-
- (a) The total revised departmental budget does not exceed the original Budget;

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- (b) The total revised Municipal budget in respect of “General Expenses” and “Repairs and Maintenance” does not exceed the original budget;
 - (c) Initial budgetary provision existed on the original Operating Budget.

6. Recovery of losses

- 6.1 Any loss suffered by the municipality due to any fraudulent or corrupt act or an act of bribery shall immediately be reported to the south African Police Service and to the Auditor-General by the Municipal Manager.
- 6.2 The circumstances which describe various losses or damages in legislation, are contained in section 10 G (2)(f) of the Local Government Transition Act as inserted by the Second Amendment Act 1996 (Act 209 of 1996). All employees shall immediately advise the Municipal Manager should they become aware of occurrences.
- 6.3 All employees shall be advised of this responsibility in an appointment letter.

7. Credit rating

- 7.1 All Heads of Departments shall at all times apply sound administration within their departments and observe budget parameters and target levels to ensure that the credit rating status of the Municipality is not adversely affected.

8. Procurement, tenders and contracts

- 8.1 Procurement of goods and services shall comply with the Procurement Policy of Council.
- 8.2 Subject to National and Provincial Legislation the procedure for the placing of contracts shall be as determined by Council. Any changes to the Conditions of Contract after the acceptance of a tender shall be reported to the Mayoral Committee.
- 8.3 The Municipality’s power in terms of the National and Provincial Legislation to enter into contracts for the supply of goods, services or materials or for the execution of work of a value not exceeding the amount approved by the Minister in regulations, without inviting tenders shall not be exercised until the Municipal Treasurer has invited and considered quotations for the supply of such goods, services or materials or for the execution of such work, provided;-
 - (a) That the Municipal Treasurer may negotiate purchases up to a maximum of R20 000.00 (excl. VAT) per item on the following conditions:-
 - (i) That at least two written quotations are obtained in respect of each such item; and
 - (ii) That adequate records of each such transaction are kept;

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- (b) That the Municipal Treasurer may, in consultation with the Head of a Department concerned, allow a Department to negotiate purchases up to a level per order, which may not exceed the amount in Clause 8(3)(a), subject to the conditions in Sub-clauses (a)(i) and (ii) above;
- (c) That the Municipal Treasurer may, in consultation with the Municipal Manager and the Executive Mayor, waive compliance with Sub-clauses (a)(i) and (ii) where the Municipal treasurer considers the invitation of quotations not to be to the advantage of the municipality.
- 8.4 The Mayoral Committee has delegated authority to accept tenders invited by the municipality for the supply of all goods and services the total cost of which shall be less than R 200 000. Tenders exceeding R 200 000 should be submitted to Council:-
- 8.5 A Head of a Department has delegated authority to enter into contracts in consultation with the Municipal Treasurer for the maintenance of equipment entrusted to the care of his/her department, provided that the value of the contract is less than R50 000 per financial year.
- 8.6 In appointing contractors or any external supplier of services, a Head of a Department shall ensure that the supplier is given clear instructions regarding the performance expected or to be achieved. The desired performance shall be measurable, quantifiable and capable of being certified on completion of the task or after rendering the service. The performance required shall be conveyed to the supplier in writing together with the official municipal order.
- 8.7 A Head of a Department shall certify that services rendered are in accordance with the performance expected and agreed. Variations shall be reported to the Mayoral Committee and, where necessary, the required authority for such variation shall be obtained by the Head of a Department from the Mayoral Committee.
- 8.8 Performance guarantees received in terms of the requirements of the procurement policy from a supplier or successful tendered shall be referred to the Municipal Treasurer for acceptance.

9. Goods and materials

- 9.1 All goods and materials belonging to the municipality and held for future consumption shall be retained under the control and supervision of the Municipal Manager. With the approval of the Municipal Treasurer, goods and materials may be held by Departments in a store, provided that all items not required immediately shall be recorded and accounted for by such departments to the satisfaction of the Municipal Treasurer.
- 9.2 A stores record reflecting full particulars of purchases and issues of goods and materials and the balances of stock on hand in the Purchasing and Supplies Division shall be maintained by the Municipal Treasurer. Similar stores records shall be maintained by Heads of Departments in respect of stores under their control.

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- 9.3 Stocks shall not, except where the Municipal Treasurer is satisfied that special circumstances exist, be carried by or for any department in excess of normal requirements. Whenever it appears to the Municipal Treasurer that a proposed purchase would result in infringement of this clause, the Head of a Department shall be advised accordingly and the Head of a Department, if it is considered necessary, shall report the matter to the Municipal Manager.
- 9.4 Requisitions for goods and materials shall be signed by the Head of a Department or nominees provided written notification of such nominees and the extent of their authority is given to the Municipal Treasurer. Heads of Departments shall advise the Municipal Treasurer of the persons authorised to sign such requisitions in respect of the following categories:-
- (a) Not exceeding R5 000.00 per requisition;
- Specimen signatures of all persons authorised to sign requisitions shall be supplied to the Municipal Treasurer and updated coinciding with any alterations or changes. When such persons leave the services of the Municipality, the Municipal Treasurer shall be advised immediately.
- 9.5 Except in the case of emergency requisitions, the Municipal Treasurer shall only accept requisitions and orders if sufficient budgetary provision exists to cover a requisition or order presented to the Purchasing and Supplies Division. The Municipal Treasurer shall immediately inform the Head of a Department concerned if there is insufficient budgetary provision, and the Head of a Department shall either obtain the Municipal Manager's decision as to whether the requisition should be executed or not, or provide the Municipal Treasurer with the necessary virement. In the event of the requisition being executed with the Municipal Manager's authority, the Municipal Manager shall forthwith report the matter to the Mayoral Committee.
- 9.6 Requisitions for uniforms or protective clothing shall only be executed if they are in accordance with the approved schedule of issue of the municipality.
- 9.7 Subject to the requirements of the Audit Regulations, the Municipal Treasurer 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.
- 9.8 The Municipal Treasurer shall, if requested by the Head of a Department, submit tenders for goods, materials or services to the Department concerned and the Head of that Department shall recommend the tender or tenders to be considered by the Mayoral Committee or the Council. If the lowest tender is not recommended, the reason(s) for not doing so shall accompany the recommendation. If the Municipal Treasurer does not agree with the reason(s) for not accepting the lowest tender, the reason(s) for disagreement shall be sent to the Head of the Department concerned and the reasons shall be included in the report to the Mayoral Committee by the Municipal Treasurer.

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- 9.9 Unless otherwise agreed with the Municipal Treasurer, all surplus goods and materials after completion of works or the fulfillment 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 Purchasing and Supplies Division without delay. An advice note describing such goods and materials shall be furnished to the Purchasing and Supplies Division by the Department concerned. The Municipal Treasurer shall, in consultation with the Head of the Department concerned, decide on the value, if any, to be credited to the appropriate vote(s).
- 9.10 In the event of the Municipal Treasurer authorizing a Department to return goods or materials direct to the supplier, the Head of the Department shall ensure that the necessary goods received voucher is forwarded to the Purchasing and Supplies Division. Under no circumstances may goods be returned to a supplier without the supplier immediately issuing the goods received voucher.
- 9.11 Plant and equipment and other goods and materials shall be deemed to be redundant or obsolete on the authority of the Mayoral Committee, which may authorise disposal, thereof by public auction.
- 9.12 Subject to the provisions of any legislative prescription, the amount and value of any surpluses or shortages in stock, as well as slow-moving stock, revealed in stock-taking shall be reported by the Municipal Treasurer to the Mayoral Committee, together with the reasons for discrepancies. Where the stock is not under the control of the Municipal Treasurer, the Municipal Treasurer may require the responsible Head of a Department to furnish the said reasons. Any adjustments thereafter must be authorised by the Mayoral Committee, except that the Municipal Treasurer may authorise adjustments in stocks and losses not involving negligence of identifiable theft, provided favourable internal audit reports are presented in all cases.

10. Payments

- 10.1 The Municipal Treasurer shall be responsible for the payment of all accounts due by the municipality and shall distribute, post or otherwise submit payments after authorisation directly to the payee.
- 10.2 Heads of Departments shall advise the Municipal Treasurer of the names of officials empowered to sign vouchers authorising payment of accounts and furnish their specimen signatures.
- 10.3 Vouchers submitted to the Municipal Treasurer by any Department for payment shall be in such form as may be required by the Municipal Treasurer and must state the reference to the budgetary provision to meet such payment.
- 10.4 The Department submitting any voucher to the Municipal Treasurer for payment shall certify that:-
- (a) the goods have been received or the services rendered;
 - (b) the prices, calculations and any taxes are correct;

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- (c) any discounts to which the municipality is entitled have been deducted;
 - (d) the account has not been paid previously;
 - (e) sufficient budgetary provision exists;
 - (f) if excess expenditure is involved, the Mayoral Committee or Council has approved such excess, in which case the resolution authorising the excess expenditure shall be quoted on the voucher;
 - (g) authority for the payment exists, in which case the authority shall be indicated on the voucher;
 - (h) fruitless and wasteful expenditure has not been incurred.

10.5 A voucher submitted to the Municipal Treasurer for payment that requires any special authority shall quote the authority for such payment.

10.6 All payments due by the municipality shall be made by cheque or approved electronic method drawn on the banking account of the municipality, except that in case of purchases not exceeding the amount authorised in terms of the Audit Regulations, payment may be made from petty cash, should this method be more expedient.

10.7 All cheques or other methods of payment approved by the Municipal Treasurer and drawn on the banking account of the municipality, shall be signed by not fewer than two municipal officials of which at least one shall be in the Financial Department authorised by the Municipal Treasurer to do so on behalf of the municipality in compliance with legal requirements, Audit Regulations and reported to Council. The delegated authority to sign payments shall be in writing and kept on record, and be reviewed regularly by the Municipal Treasurer.

10.8 The Municipal Treasurer shall have authority to make imprest or other advances to Heads of Departments and to other officials when the Municipal Treasurer deems this necessary. The Municipal Treasurer shall have the authority to determine the limit of any such advance from time to time, and to make rules and set conditions for the management thereof.

11. Salaries, wages and allowances

11.1 The Municipal Treasurer shall be responsible for the calculation and payment of all salaries, wages and allowances payable by the municipality.

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- 11.2 Payments shall be made in accordance with pay sheets approved by the Municipal Treasurer to a nominated bank account of the municipal employee or Councillor or such other method as approved by the Municipal Treasurer.
- 11.3 The Municipal Treasurer shall immediately be notified by Heads of Departments or the Head: Administration of all appointments, promotions, dismissals, resignations, transfers, absences for any reason, and all matters affecting the emoluments of employees or councillors of the municipality. The submission of such information to the Municipal Treasurer shall be in such form as the Municipal Treasurer may determine from time to time.
- 11.4 Advances on salaries and wages to officials may be authorised by the Municipal Treasurer on the following conditions;
- (a) A written application is to be submitted in the form approved by the Municipal Treasurer;
 - (b) The Head of the Department concerned shall support the application in writing;
 - (c) The amount shall not exceed one half of the next monthly salary of the employee; and
 - (d) The total amount shall be deducted from the next salary payment.
- 11.5 The Municipal treasurer shall be responsible for the maintenance of all records essential for the accurate determination of emoluments and leave due to employees of the municipality. These records shall be in such form as the Municipal Treasurer may determine from time to time.

12 Loans

- 12.1 The Municipal Treasurer shall be responsible for the raising of such loans as may be required from time to time, on such terms and conditions as may be approved by Council.
- 12.2 The raising of such loans shall be subject to the invitation of written quotations from financial institutions. The invitation to submit quotations shall specify the purpose of the loan and the amount required, as well as the proposed period of repayment and other information required by legislation.
- 12.3 All quotations received shall be evaluated by the Municipal Treasurer, who shall submit recommendations in a report to Council via the Mayoral Committee.

13. Investments

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- 13.1 The Municipal Treasurer shall determine the cash flow needs of the Municipality on a regular basis. Heads of Departments shall supply such information with regard to capital expenditure as may be required by the Municipal Treasurer in order to determine needs.
- 13.2 The Municipal Treasurer shall be responsible for the investment of such of Council's funds as are required by law to be invested, or are available for investment, on such terms and conditions as may be prescribed by legislation.
- 13.3 Written quotations shall be invited for all investments in excess of twelve months and all submissions shall specify the investment amount tendered for, the investment instrument and the period of the investment, and any other information required by the Municipal Treasurer.
- 13.4 All quotations received for investments in excess of twelve months shall be evaluated by the Municipal Treasurer, who shall submit recommendations in a report to Council via the Mayoral Committee.

14. Insurance

- 14.1 The Municipal Treasurer shall be responsible for the management of insurance policies of the municipality covering such risks as the Council may from time to time determine and shall ensure that suitable and adequate premiums are made to the insurer.
- 14.2 Heads of Departments shall report to the Mayoral Committee via the Municipal Manager, as necessary from time to time, as to the adequacy or otherwise of the insurance cover.
- 14.3 Heads of Departments 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 Municipal Treasurer without delay of any new insurable risk or any alteration in an existing insurable risk which has arisen in connection with the department.
- 14.4 Annually before 1 July, the Municipal Treasurer shall provide Heads of Departments with schedules of all insured items stating their insured value and the premium for the following year.
- 14.5 On the occurrence of any event giving rise or likely to give rise to a claim by or against the municipality or against its insurers, the Head of a Department concerned shall notify the Municipal Manager (with a copy to the Municipal Treasurer) of that event, and the Municipal Treasurer shall as soon as possible notify the municipality's insurer thereof if the risk is insured externally.
- 14.6 Reports and claims externally and internally shall be investigated if the Municipal Manager considers such action desirable, and settlement shall be effected by the Municipal Treasurer when the Municipal Manager is satisfied that the municipality is legally liable to pay the claim.

14.7 The Municipal Treasurer shall maintain a register in which particulars of all insurance policies held by the municipality shall be entered and he shall be responsible for the payment of all premiums.

14.8 All insurance claims shall be included in the monthly financial report.

15. Accounting

15.1 The Municipal Treasurer shall determine the format, standards and systems applicable to the financial accounting procedures, and shall in doing so take cognisance of generally accepted municipal accounting practices (GAMAP), guidelines issued by the Department of Finance, the Auditor General and IMFO.

15.2 The Municipal Treasurer shall ensure that proper accounting records and registers are opened and maintained in compliance with section 15(1). The Municipal Treasurer shall prescribe the requirements for access to electronic accounting systems and shall maintain the necessary security and password systems for this purpose.

15.3 The Municipal Treasurer shall prepare and submit the required information for the preparation of the financial statements in the format determined in section 15(1), and any supporting detail as required from time to time by the Auditor General.

15.4 The Municipal Treasurer may apply to the Auditor General for an extension of time for the submission of the annual financial statements, provided such extension does not exceed three months. Where application for an extension is made, the Mayoral Committee must be informed thereof at its next meeting.

15.5 The annual financial statements shall be submitted through the Mayoral Committee to Council by the Municipal Manager, where after the Council may publish abridged financial statements in the local newspapers.

15.6 The Auditor General's reports on the Financial Statements and Performance Auditing shall be submitted to the Council as prescribed by legislation.

15.7 No revenue collection, accounting, costing or other financial systems shall be introduced in any department and no alteration shall be made to any existing system without the prior approval of the Municipal Treasurer.

15.8 All internal charge-out rates are to be continuously reviewed by the Municipal Treasurer in consultation with Heads of Departments.

15.9 No statement, provision or obligation contained in any of these sections shall in any way detract from the responsibility of each Head of a Department to maintain any costing and accounting system controlled by a Head of a Department 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.

16. Audit committee

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- 16.1 The Executive Mayor shall invite nominations from the public for appointment to the Audit Committee by notice in the local press. The most suitable candidates to ensure an independent appraisal function shall be appointed by the Mayoral Executive Committee and the same procedure shall be followed when members retire or vacancies occur for whatever reason.
- 16.2 The Audit Committee, after consultation with the Municipal Manager, shall be responsible for co-ordinating the functions of the external and internal audit activities to ensure maximisation of all audit resources, and shall have unrestricted access to all municipal records, documents and information.
- 16.3 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 statement, the response of the Municipal Treasurer and any other reports issued by the Auditor General.
- 16.4 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 and monitor management's response thereto as well as weaknesses in internal controls;
 - (d) Ensure that quarterly reports are received from the internal auditor;
- 16.5 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 all operations of the municipality.
- 16.6 In addition to approving the internal audit plan, the Audit Committee is authorised to request the internal auditor to investigate any other matters, which, in its opinion, require attention.
- 16.7 The Audit Committee shall submit reports to Council on its activities during the year.⁵

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- 16.8 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 Municipal Manager with the request that it be submitted to the Council via the Mayoral Committee.

17. Internal audit

- 17.1 The internal auditor of the municipality shall execute the annual internal audit plan approved by the Audit Committee and shall, in addition, perform such duties and conduct such investigations as may be required by law, or by the Council, or the Mayoral Committee or the Municipal Manager of the Audit Committee and shall, on an ongoing basis, review the internal control systems and report on proposed changes as they are required.
- 17.2 In performing such duties or conducting such investigations, the internal auditor shall be given access to any departmental records required for the purpose of the audit and the Head of a Department and every official thereof shall upon request by the internal auditor supply such information as may be required.
- 17.3 The internal auditor shall report to the Municipal Manager on the results of all investigations, and the Municipal Manager shall submit such reports to the Audit Committee and to the Mayoral Committee.
- 17.4 The internal auditor shall submit a quarterly report via the Municipal Manager to the Audit Committee and to the Mayoral Committee on the activities of the Internal Audit Division.

18. Assets

- 18.1 The responsibility for adequately maintaining and securing any fixed asset under the control of a department shall vest in the Head of a Department concerned.
- 18.2 The Municipal Treasurer shall maintain an adequate asset management system (asset register) to account for all fixed assets under the control of a department.
- 18.3 Overall accounting control of all fixed assets shall be exercised by the Municipal Treasurer who will determine the appropriate records, charges for the use of such assets and other incidental matters in consultation with the Head of a Department concerned.
- 18.4 In accordance with the relevant legislative provisions each Head of a Department shall be responsible for an annual inventory within each financial year of furniture, equipment and other movable property with a life expectancy of more than one year under departmental control showing quantities and values.

19. Alienation of immovable property

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- 19.1 The following shall apply in respect of the sale and development of immovable property:-
- (a) The Municipal Treasurer shall determine annually, or as and when required, the all-inclusive cost to the municipality of serviced land and erven held for sale.
 - (b) All immovable property held for sale or lease shall as far as possible be sold or leased at market value.
 - (c) Should any transaction or sale be concluded for less than the determined price, in terms of Clauses 19(2)(a) or 19(2)(d), for any reason whatsoever, the Head of a Department, after consultation with the Municipal Treasurer, shall report thereon to the Mayoral Committee.
 - (d) The Municipal Treasurer shall recommend to the Mayoral Committee proposed selling prices or upset selling prices, determined by historical cost or as appropriate historical sales transactions; based on determinable market values; otherwise, independent valuations shall be obtained by the Municipal Treasurer.
 - (e) All applications for the purchase of immovable property shall contain a financial offer. The Municipal Treasurer shall assess all offers to purchase, and such transactions shall be considered by the Council together with the cost associated with the asset when deciding on the sale price.
 - (f) The municipality shall not undertake property development unless:-
 - (i) Adequate provisions is made in the capital budget;
 - (ii) Such development is of low risk;
 - (iii) Capital will be tied up for relatively short periods only;
 - (iv) The development will render a return on investment which has been considered by the Municipal Treasurer and approved by the Mayoral Committee;
 - (v) Such development will not result in the municipality having to borrow on the capital market to finance it or affect the ongoing capital programme of the municipality; and
 - (vi) The proposed development is in line with the IDP.

19.2 *Servicing of land*

In conjunction with the Head of a Department, the Municipal Treasurer may increase the Capital Budget to accommodate the preparation and servicing of municipal land for sale, provided the transaction has been authorised by Council and such expenditure is fully recoverable and does not exceed the sale price.

19.3

Lease

The following conditions shall apply in respect of the lease of immovable property of the municipality:-

- (a) The Municipal Treasurer shall recommend lease rentals to be included in the annual budget.
- (b) As a guide to establishing market rentals, applications from prospective lessees shall contain a financial offer. The Municipal Treasurer shall evaluate such offers in relation to market rentals determined or by other methods normally employed.

20. Information systems

- 20.1 The centralised corporate information systems allocated to the Municipal Treasurer shall be maintained in such a way as to ensure the integrity and security of the systems and data.
- 20.2 The Municipal Treasurer shall take all reasonable measures to ensure adequate backup of programmes and data for recovery purposes.
- 20.3 All program changes shall be recorded for audit purposes and be authorised by the Municipal Treasurer or his delegated representatives.
- 20.4 A suitable disaster recovery plan shall be prepared and maintained by the Municipal Manager 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 an annual review as part of the overall IDP.
- 20.5 Heads of Departments shall ensure that all reasonable steps are taken to prevent hardware and software from being infected by viruses. All workstations 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.
- 20.6 Information systems of any nature that 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 Municipal Treasurer. Internal Audit must ensure that random certification is undertaken on amendments to the systems.

21. Definitions

For the purpose of these by-laws any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in these by-laws and unless the context indicates otherwise-

“**Act**” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“Audit Regulations” means the Audit Regulations applicable to the municipality;

“Committed projects” means projects for which financial provision have to be made in more than one financial year;

“IDP” means Integrated Development Plan;

“Financial Plan” means a financial plan as contemplated in section 26(h) of the Act as part of the IDP;

“Management Team” means the municipal manager and the heads of department of the municipality;

“Member for Finance” the members of the Mayoral Committee responsible for Finance;

“Municipal Treasurer” means the employee of the municipality appointed as the Head of the Finance Department;

“notice to the local community” means notice complying with the provisions of section 21 of the Act;

“property development” means the development of property by or on behalf of the municipality;

“virement” means the transfer of savings from one budget vote within a service to another budget vote to finance a shortfall in another budget vote for a similar service and expenditure category;

22. Short title

These By-laws are called the Financial By-laws. (District Municipality of Kgalagadi)
