

THEMBISILE HANI LOCAL MUNICIPALITY



Expenditure Management Policy

2026/2027

1. DEFINITIONS AND ABBREVIATIONS

1.1. DEFINITIONS

“Accounting Officer”	A person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of the municipality in terms of section 60 of the MFMA.
“Accounts Payables”	In accounting terms, Accounts Payables means monies owed by an organization to its vendors/suppliers (Trade Creditors) for goods and services purchased on credit.
“Municipality”	<p>Thembisile Hani Local Municipality</p> <p>The electronic movement of funds from Thembisile hani local municipality bank account to the different vendor/supplier accounts in the same or different banks, through the use of wire transfer, automatic teller machines or computers but without the use of paper documents.</p>
“Good Received Note”	A confirmation document from the receiving department that shows that the ordered goods were received. It is used along with a purchase order in the three way match to authorise invoice payment.
“IDP”	Integrated Development Plan.
“Manual Request for Payment”	A form utilised to record payments where transaction values could not be determined through the “Request for Quotation” process
“Payment Certificate”	A certificate attached to contract payments where progress payments are made.

“Payment Terms”	Are within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice. in terms of section 65(e) of the MFMA or 14 days from receipt of invoice based on a current BBBEE certificate and allocated by SCM Compliance.
“Purchase Order”	A buyer generated document that authorizes a purchase transaction. When accepted by the seller, it becomes a contract binding on both parties.
“Statement”	Summary of all transaction debits or credits with a vendor or supplier that occurred during the previous month and their effect on an open account balance. It is also known as a statement of account.
“Tax Invoice”	A document issued by a vendor/supplier to the Municipality listing the goods or services supplied and stating the sum of money due. The elements of what depicts a valid Tax Invoice are attached as Annexure A to this document.
“VAT”	Value Added Tax. VAT is a consumption tax levied on goods and services at each step of the production/distribution cycle.
“Vendor Master File”	A comprehensive database file maintained by the SCM Unit that contains information about vendors/suppliers used to facilitate financial transactions. The information includes payment terms, address, names of directors, banking details and any other related information.

“Contracts Module” Contract Module in Financial System that is used to capture contract payment information, tax invoices supported by Payment Certificates, raised against the Contract (by the Contractor).

1.2. ABBREVIATIONS

BAC	Bid Adjudication Committee
IDP	Integrated Development Plan
GRN	Goods Received Note
EFT	Electronic Funds Transfer
AO	Municipal Manager (Accounting Officer)
MRP	Manual Request for Payment
SCM	Supply Chain Management
EMU	Expenditure Management Unit
SARS	South African Revenue Services
VAT	Value Added Tax

2. PROBLEM STATEMENT

- 2.1. In compliance with the Municipal Finance Management Act (No. 56 of 2003), Local Government: Municipal Systems Act (No. 32 of 2000), the King III Code on Corporate Governance in South Africa (2009) and any other applicable legislation, the Municipality must establish and maintain an adequate internal financial control system.
- 2.2. Limited resources should be used effectively, efficiently and in accordance with the approved budget as well as any relevant financial policy as determined by the financial regulations for local authorities and guidelines by the Financial Management of the Thembisile hani Local Municipality.
- 2.3. The Expenditure Management Unit Policy document serves to support the concept of the control measures necessary within Expenditure Management Unit.

2.4. Further, it is deemed to serve as:

- (a) An information document in order that the users of the Expenditure Management Unit service have an understanding of what is required; and
- (b) A working document to make the processes of Expenditure Management Unit more effective.

3. STRATEGIC PRIORITY AREAS (INTENT)

- 3.1. The strategic priority areas of the Thembisile Hani Local Municipality are enshrined in the Thembisile Hani local Municipality's Integrated Development Plan (IDP) and are categorized into Five pillars.
- 3.2. These pillars are namely, Ensuring the provision of adequate and reliable water services to meet the needs of the community, Focusing on the construction, maintenance, and routine upkeep of roads and stormwater infrastructure, Emphasizing effective refuse removal and other environmental conservation efforts to promote a clean and sustainable environment, Enhancing revenue generation and ensuring sound financial management practices to maintain the municipality's financial health and Implementing programs aimed at improving the social and economic well-being of residents, including initiatives like bursary schemes to support education.
- 3.3. This policy supports the Financially Sustainable Thembisile Hani Local Municipality pillar to maximize the Municipality's financial resources by ensuring long-term financial viability and sustainability, thus improving service delivery and giving impetus to the Local Municipality's vision of being most caring City where all citizens live in harmony by 2030.

4. DESIRED OUTCOME

- 4.1. The primary desired outcome of this policy is to ensure that the municipality complies with Section 65 (2) (e) of the MFMA which requires the Accounting Officer to assume all reasonable steps to ensure:-

- (a) That all money owing by the municipality be paid within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice, unless prescribed otherwise for certain categories of expenditure.
- (b) The Manager: Expenditure in supporting both the Chief Financial Officer and the Accounting Officer must ensure that all invoices are paid within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice.

5. PURPOSE

5.1. The purpose of this policy prescribes a process to be followed for the control and processing of all payments in terms of the Municipal Finance Management Act, Act no 56 of 2003 by ensuring that:-

- (a) The municipality conducts business with properly registered suppliers as prescribed by the Supply Chain Management Policy;
- (b) The supplier database is updated with correct/valid information;
- (c) No payments are made to suppliers placed on hold;
- (d) Only valid tax invoices/invoices are processed for stock and non-stock purchase orders;
- (e) Only valid tax invoices/invoices are processed for service purchase orders;
- (f) Only valid tax invoices/invoices are processed for contracts; and
- (g) Only qualifying valid tax invoices/invoices are processed as finance payments in accordance with applicable legislation, any relevant regulations and/or guidelines.

5.2. The policy shall apply to all payments processed by the municipality, except for salaries and wages for employees or deemed to be employees.

6. SCOPE

6.1. This Policy is applicable to-

- (a) All official payments made by Thembisile Hani Local Municipality to Vendors /Suppliers

7. APPLICABLE LEGISLATION, REGULATIONS AND POLICIES

7.1. This policy is developed and guided by the following legislations and regulations:

- (a) Municipal Finance Management Act (MFMA), Act No. 56 of 2003;
- (b) Value Added Tax Act 89 of 1991;
- (c) Local Government: Municipal Systems Act (Act No.32 of 2000);
- (d) Income Tax Act 58 of 1962 (as amended);
- (e) Treasury Regulations;
- (f) Supply Chain Management Regulations;
- (g) Supply Chain Management Policy;
- (h) GRAP 104: Financial Instruments;
- (i) Integrated Development Plan;
- (j) Credit Control and Debt Collection Policy; and
- (k) Petty Cash Policy.

7.2. Clause 12.1 of the Creditors Control and Debt Collection Policy states “When submitting a tender for the provision of services or the delivery of goods, each potential contractor, service provider and supplier (hereinafter referred to as the ‘ tenderer ‘) must prove to the satisfaction of the Municipality that all accounts for which the tenderer is liable, have been paid up to date, and that all accounts for which each and every director, owner, partner or trustee of the tenderer is liable, have also been paid up to date.”

7.3. By the direction of this Credit Control & Debt Collection Policy and when requested by Revenue Department, Expenditure Management Unit deducts arrears from any service provider.

8. ROLE PLAYERS AND STAKEHOLDERS

8.1. The principal role player is the Chief Financial Officer. The Expenditure Management Unit will be responsible for implementing the policy and administering its on-going management and evaluation.

8.2. Below is an outline of the affected role-players and stakeholders:

- (a) Expenditure Management Unit;
- (b) Supply Chain Management Unit;
- (c) Finance Portfolio Committee;
- (d) Mayor's Office;
- (e) Mpumalanga Cooperative Governance , Human Settlements and Traditional Affairs Department (Coghsta)
- (f) Auditor General;
- (g) SALGA;
- (h) SARS;
- (i) Other Government Departments; and
- (j) Registered Suppliers of the Thembisile hani Local Municipality.

9. POLICY PROVISIONS

9.1. Processing and Authorization of Invoices

9.1.1 All invoices to be processed for payment must be in line with section 20 of the Value Added Tax Act.

9.1.2 Invoices received by Expenditure Management Unit (Expenditure Management Units) should be original invoices.

9.1.3 Where a copy of an invoice is received, this can be processed for payment provided that verification is first performed to ensure that the invoice has not been previously paid and the invoice is endorsed accordingly (certified true copy of original).

9.1.4 Authorisation of invoices should be as per the approved delegations of authority.

- 9.1.5 Authorization of invoices / payment documentation that fall outside the SCM processes should be in line with functional delegations of departmental Line Managers.
- 9.1.6 All invoice payments must be reviewed for compliance with SCM processes by the Expenditure Management Unit (Expenditure Management Units) delegated official prior to payment being made.

9.2. Processing invoices for stock and non-stock purchase orders.

- 9.2.1. The following will apply when processing invoices related to stock and nonstock payments:
- (a) Goods received notes (GRN's) are authorised in order for payment by the relevant delegated officials and forwarded to Expenditure Management Unit for matching with the Suppliers' invoice and processing of payment.
 - (b) An order number must be confirmed prior to processing an invoice.
 - (c) Each invoice must not be reflected in multiple order numbers.
 - (d) An invoice cannot be processed for payment unless it has a valid purchase order which has been receipted in the system.

9.3. Processing invoices for service purchase orders.

- 9.3.1 Service purchase orders are raised by the various Line Departments for any services which are undertaken by the Supplier in the department.
- 9.3.2 The sourcing of quotations is the responsibility of the SCM Unit.
- 9.3.3 Expenditure Management Unit checks or performs the Verification on the quotations attached before processing invoices.
- 9.4.1. The following applies when processing invoices related to service purchase orders:
- (a) Service orders must be receipted;
 - (b) An invoice is to be stamped and signed by line department.
- 9.4.5. Attach the following documents to the invoice
- (a) GRN;

- (b) Purchase Order form;
- (c) Quotations used in sourcing of service; and
- (d) Any other applicable supporting documents (where required by Expenditure Management Unit):
 - (i) Memo;
 - (ii) Council Approval; and
 - (iii) Motivation from Department Head.

9.4.6. Invoices must not be reflected in multiple order numbers.

9.4. Processing invoices related to contracts.

9.4.1. The following applies when processing invoices related to contract payments:

- (a) Line Department must compile a Contract file and include all documentation listed below:
 - (i) Authorised Tax Invoice/Invoice (Refer 9.2.3 for copy of invoice);
 - (ii) Authorised Payment Certificate;
 - (iii) Letter of Appointment/Award (in respect of first claim);
 - (iv) Completion Certificate (where applicable);
 - (v) Insurance Clearance (where applicable for contract value >R500,000);
 - (vi) Penalties (where applicable);
 - (vii) Extension of Time (where applicable);
 - (viii) Payment Cession documentation (where applicable);
 - (ix) Guarantee Retention (where applicable);
 - (x) Variation Orders (where applicable); and
 - (xi) Surety Clearance (where applicable).

9.4.2 Where any of the required documentation above is missing from the contract file or invoicing information, Expenditure Management Unit will contact the Line Department and payment will not be effected until all issues are resolved.

9.4.3 The Expenditure Management Unit must ensure that there are sufficient funds

available in the Votes indicated on the payment certificate.

- 9.4.4 Where funds are to be allocated from a different vote, and the amount to be allocated to a new vote, the line department must supply the Expenditure Management Unit with an amended payment certificate.

9.5. Processing invoices using a Manual Request for Payment form.

- 9.5.1 Invoices processed for payment using a Manual Request for Payment option should be generally invoices where it is impractical to raise a purchase order with the Supplier before a service is rendered.
- 9.5.2 Annual Request for Payment will only be considered where transaction values could not be determined through the "Request for Quotation" process.
- 9.5.3 A prescribed standard Manual Request for Payment Form must be completed where a manual payment needs to be made.
- 9.5.4 Where the Line Department has chosen to prepare a payment voucher, the payment voucher must be attached to the invoice.
- 9.5.5 Where invoices are received from the supplier, Expenditure Management Unit must forward the invoice to the line departments for authorisation for the services rendered.
- 9.5.6 Where invoices relate primarily to public liability claims and workmen's compensation, the following documents must be attached to the payment voucher where applicable:

10. SUBMISSION AND RECEIPTING OF INVOICES

- 10.1. Submission of invoices by suppliers / service providers should only either be through hand delivery directly to Finance Department – Expenditure Management Unit
- 10.2. All invoices received must be stamped with the receipt date and must be forwarded to Expenditure Management Unit within reasonable period of time to allow all necessary processing to be undertaken (refer schedule of

submission of invoices / payment run dates circulated by Expenditure Management Unit timeously).

- 10.3. Where invoices are received directly from the Supplier, the Expenditure Management Unit must refer the invoices to the relevant Line Departments for verification and signing.
- 10.4. Invoices will be returned by the Line Departments together with the above applicable mentioned documents in 10.1.
- 10.5. All invoices are to be submitted with all the required documentation attached.
- 10.6. All invoices received by Expenditure Management Unit must be stamped with the receipt date, scanned and paid within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice.
- 10.7. All invoices are to be addressed to Thembisile Hani Local Municipality

11. SETTLEMENT DISCOUNTS

- 11.1. Expenditure Management Unit must maintain an electronic control register to record all documents received.
- 11.2. Where settlement discounts are offered, it will be conducted taking into consideration the municipality's cash flow status as well as the negative impact it might have on the normal work flow within the payment section.
- 11.3. All payments processed should be in line with the municipality's payment terms taking cognizance of any potential settlement discounts.
- 11.4. Early settlement discount should only be considered from 2.5% and above.`

Management Unit must review and authorise the monthly reconciliations to confirm that the correct creditor account was raised.

12. PETTY CASH

- 12.1. Maintenance of petty cash is a function of Expenditure Management Unit and is guided in terms this policy, the Supply Chain Management policy and regulations as well as any other applicable policy document. (For further details refer to the petty cash policy).

- 12.2. Petty cash funds are intended to be used for small, incidental purchases.
- 12.3. Petty cash is not to be used to pay for personal expenses or normal operating expenses within the municipality.

13. RECORD KEEPING

- 13.1. Expenditure Management Unit must maintain an electronic control register to record all documents received.
- 13.2. All processed documents must be stamped as paid and filed in a properly designated filing system / place.
- 13.3. All documentation processed by Expenditure Management Unit shall be retained and will remain under the control of the Expenditure Management Unit for at least three financial years, thereafter transferred to the Municipality's Archives.

14. IMPLEMENTATION, EVALUATION AND REVIEW

- 14.1. This policy framework is important for the financial compliance of the municipality. It provides an all-inclusive administrative procedure for the management of Expenditure Management Unit.
- 14.2. Senior Management must ensure that during the implementation stages of the policy, there is consistent monitoring and evaluation of the policy as indicators will result in challenges within the policy implementation phases.
- 14.3. Any person who contravenes or fails to comply with any provision of this policy may be subjected to disciplinary action.
- 14.4. This policy shall be reviewed on an annual basis.

15. POLICY RECOMMENDATION

That this policy be considered and approved by Council