

# **SENTRAAL KAROO DISTRIKSMUNISIPALITEIT**

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## **ADMINISTRATIEWE BELEID MET BETREKKING TOT ONTTREKKING VAN FONDSE**

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### **1. DOEL**

Hierdie beleid het dit ten doel dat die onttrekking van fondse op 'n ordelike wyse geskied en voldoen aan auditregulasies.

### **2. FONDSE BETROKKE**

Daar word begroot vir 'n Burgemeestersfonds, Onder-Burgemeestersfonds en Speakersfonds. Genoemde fondse kan volgens die diskresie van die betrokke ampsbeksleers aangewend word tot voordeel van die inwoners van die Sentraal Karoo Streek.

### **3. ONTTREKKING VAN FONDSE**

- 1) Die opvragingsvorm, soos voorberei deur die Hoof Finansiële Beampte, moet vooraf deur die betrokke ampsbeksleer skriftelik ingevul en onderteken word.
- 2) Daar moet sover as moontlik 'n identifisering van begunstigdes op die vorm aangedui word, hetsy deur middel van voorsiening van ID-nommers of adresse.
- 3) Met uitbetaling van fondse moet die betrokke ampsbeksleer persoonlik teken vir ontvangs.
- 4) Artikel 11 van Wet 56 van 2003 (MFMA) vervat die rekenpligtige verantwoordelikheid van die Munisipale Bestuurder wie gevolglik verantwoordelik sal wees vir die finale magtiging voor uitbetaling kan geskied.

### **4. ALGEMENE RIGLYNE**

**Aangeheg** hierby, en geag deel van hierdie beleid te wees, vind u riglyne soos voorsien deur WEKPRO met betrekking tot die aanwending van diskresionêre fondse.

Hierdie beleid is onderhewig aan die bepalings van die MFMA.

NWN/gvz/24/12/2004



## CENTRAL KAROO DISTRICT MUNICIPALITY

**DELEGATION AND FURTHER SUB-DELEGATION OF POWERS AND DUTIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003) BY THE ACCOUNTING OFFICER, CHIEF FINANCIAL OFFICER AND DIRECTORS FOR THE CENTRAL KAROO DISTRICT MUNICIPALITY**

**REVIEWED : 27 MAY 2013**

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Under the powers vested in me by section 79 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), I, ....., Accounting Officer (and Municipal Manager) for the Central Karoo District Municipality, hereby delegate the powers and duties assigned to me by the said Act, as well as any powers and duties to assist me in complying with a duty, as set out in Annexure A hereto. I furthermore authorise the sub-delegation of such powers and duties as contemplated in section 79(3)(d) of the Act.

Signed at Beaufort-West this \_\_\_\_\_ day of \_\_\_\_\_

**ACCOUNTING OFFICER (MUNICIPAL MANAGER)  
CENTRAL KAROO DISTRICT MUNICIPALITY**

CHIEF FINANCIAL OFFICER FOR THE CENTRAL KAROO DISTRICT MUNICIPALITY

Under the powers vested in me by section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), I, \_\_\_\_\_ Chief Financial Officer for the Central Karoo District Municipality, hereby sub-delegate the powers and duties delegated to me in writing by the Accounting Officer, as set out in Annexure A hereto.

Signed at Beaufort-West this \_\_\_\_\_ day of \_\_\_\_\_

**Acting CHIEF FINANCIAL OFFICER  
CENTRAL KAROO DISTRICT MUNICIPALITY**

## ANNEXURE A

## CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

Municipal Finance Management Act, 2003 (Act 56 of 2003)

Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
1	8(5)	Submit to the National Treasury, the Provincial Treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account.	Municipal Manager	Chief Financial Officer	To be confirmed annually. First letter to be submitted by 31/07/2004 This function can only be delegated to the CFO [Section 10 (2)]	
2	8(5)	Inform the National Treasury and the Auditor-General, in writing, at least 30 days before changing the municipality's primary bank account,	Municipal Manager	Chief Financial Officer		

Initial: \_\_\_\_\_

Date: \_\_\_\_\_

# CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

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3	9	<p><b>Submit</b> to the, Provincial Treasury and the Auditor-General, in writing—</p> <p>(a) within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and</p> <p>(b) annually before the start of a financial year, name of each bank where the municipality holds a bank account, and the type and number of each account.</p>	Municipal Manager	Chief Financial Officer		
4	10(1)(a)	<b>Administer</b> all the municipality's bank accounts, including a bank account referred to in section 12 or 48(2)(d).	Municipal Manager	Chief Financial Officer		

## CENTRAL KAROO DISTRICT MUNICIPALITY

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Municipal Finance Management Act, 2003 (Act 56 of 2003)

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5	10(1)(b)	<b>Accountable</b> to the municipal council for the municipality's bank accounts.	Chief Financial Officer		The principal accountability remains with the accounting officer.	
6	10(1)(c)	<b>Enforce</b> compliance with sections 7, 8 and 11.	Chief Financial Officer		May only be delegated to the Chief Financial Officer.	
7	11(1)	<b>Withdraw</b> money or <b>authorise</b> the withdrawal of money from any of the municipality's bank accounts, subject to stipulated provisos (a) to (j).	Chief Financial Officer	Accountant	The managers and directors specified in the lowest level column are only for the purposes of signatories for withdrawal of money. May only be delegated to Senior Financial Officers	

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
8	11(4)	Within 30 days after the end of each quarter— (a) <b>table</b> in the municipal council a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that quarter; and  (b) <b>submit</b> a copy of the report to the Provincial Treasury and the Auditor-General.	Chief Financial Officer  Chief Financial Officer		The format must be in accordance with the prescribed formats as prescribed by NT	
9	12(4)	<b>Grant</b> authority to withdraw money from a bank account envisaged in section 12(2) without appropriation in terms of an approved budget.	Municipal Manager		No additional bank account to be opened for this purpose	

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

Municipal Finance Management Act, 2003 (Act 56 of 2003)

Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
10	22	<p>Immediately after an annual budget is tabled in a municipal council—</p> <p>(a) in accordance with Chapter 4 of the Municipal Systems Act—</p> <p>(i) <b>make</b> public the annual budget and the documents referred to in section 17(3); and</p> <p>(ii) <b>invite</b> the local community to submit representations in connection with the budget; and</p> <p>(b) <b>submit</b> the annual budget—</p> <p>(i) in both printed and electronic formats to the National Treasury and the Provincial Treasury; and</p> <p>(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.</p>	Chief Financial Officer	Accountant		

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## **DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS**

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11	24(3)	<b>Submit</b> the approved annual budget to the National Treasury and the Provincial Treasury.	Chief Financial Officer			
12	32(1)	<b>Advise</b> a political office-bearer of a municipality that any anticipated expenditure is likely to result in unauthorised expenditure;	Municipal manager	Chief Financial Officer		
13	32(3)	<b>Inform</b> the council, the mayor or the executive committee, in writing, that the expenditure that would result from a decision taken is likely to be unauthorised, irregular or fruitless and wasteful expenditure.	Municipal manager	Chief Financial Officer Director: Technical Services Director: Health Director: Corporate Services		

## CENTRAL KAROO DISTRICT MUNICIPALITY

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14	32(4)	<p><b>Inform</b> the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—</p> <p>(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;</p> <p>(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and</p> <p>(c) the steps that have been taken—</p> <p>(i) to recover or rectify such expenditure; and</p> <p>(ii) to prevent a recurrence of such expenditure.</p>	Municipal manager	Chief Financial Officer		

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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15	32(6)	Report to the South African Police Service all cases of alleged— (a) irregular expenditure that constitute a criminal offence; and (b) theft and fraud that occurred in the municipality.	Director: Corporate Services	Human Resources officer responsible for the administration of disciplinary hearings.	The disciplinary hearing procedures should be amended to include this section of the MFMA	
16	37(2)	Notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next three financial years, no later than 120 days before the start of its budget year.	Municipal manager		Not applicable	

# CENTRAL KAROO DISTRICT MUNICIPALITY

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17	45(2)(2)	<b>Sign</b> the agreement or other document that creates or acknowledges the creation of short-term debt for a municipality, after such debt-agreement had been approved by the Council.	Chief Financial Officer		Only once municipal manager was informed of such debt.	
18	45(3)(iii)	<b>Notify</b> the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of a credit facility that is limited to emergency use, as well as options for repaying such debt.	Chief Financial Officer			
19	46(2)(b)	<b>Sign</b> the agreement or other document that creates or acknowledges the creation of long-debt for a municipality, after such debt-agreement had been approved by the Council.	Municipal manager and Chief Financial Officer		Both the individuals must sign such contracts	

# CENTRAL KAROO DISTRICT MUNICIPALITY

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20	46(3)(a)	<p>To incur long-term debt — has, in accordance with section 21A of the Municipal Systems Act—</p> <p>(i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and</p> <p>(ii) invited the public, the National Treasury and the Provincial Treasury to submit written comments or representations to the council in respect of the proposed debt.</p>	Chief Financial Officer	Accountant		

## CENTRAL KAROO DISTRICT MUNICIPALITY

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21	46(3)(b)	<p>To incur long-term debt —</p> <p><b>Submitted</b> a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of —</p> <p>(i) the essential repayment terms, including the anticipated debt repayment schedule; and</p> <p>(ii) the anticipated total cost in connection with such debt over the repayment period.</p>	Chief Financial Officer	Accountant		

# CENTRAL KAROO DISTRICT MUNICIPALITY

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22	54(2)(a)	<p><b>Propose</b> any remedial or corrective steps to the mayor, if the municipality faces any serious financial problems, which may include---</p> <p>(i) steps to reduce spending when revenue is anticipated to be less than projected in the municipality's approved budget;</p> <p>(ii) the tabling of an adjustments budget; or</p> <p>(iii) steps in terms of Chapter 13.</p>	Chief Financial Officer		Proposal to mayor only once it has been agreed with the municipal manager	

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23	60	<p>Must -</p> <p>(a) <b>exercise</b> the functions and powers assigned to an accounting officer in terms of this Act; and</p> <p>(b) <b>provide</b> guidance and advice on compliance with this Act to—</p> <p>(i) the political structures, political office-bearers and officials of the municipality; and</p> <p>(ii) any municipal entity under the sole or shared control of the municipality.</p>	Municipal manager		This section is also applicable to senior management and other officials referred to in section 77 of the MFMA. Municipal manager to issue a directive in this regard.	



# CENTRAL KAROO DISTRICT MUNICIPALITY

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24	61(1)	<p>Must---</p> <p>(a) <b>act</b> with fidelity, honesty, integrity and in the best interests of the municipality in managing its financial affairs;</p> <p>(b) <b>disclose</b> to the municipal council and the mayor all material facts which are available to the accounting officer or reasonably discoverable, and which in any way might influence the decisions or actions of the council or the mayor; and</p> <p>(c) <b>seek</b>, within the sphere of influence of the accounting officer, to prevent any prejudice to the financial interests of the municipality.</p>	Municipal manager		This section is also applicable to senior management and other officials referred to in section 77 of the MFMA. Municipal manager to issue a directive in this regard.	

## CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

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25	62(1)	<p><b>Responsible</b> for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—</p> <p>(a) that the resources of the municipality are used effectively, and efficiently and economically;</p> <p>(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;</p> <p>(c) that the municipality has and maintains effective, efficient and transparent systems—</p> <p>(i) of financial and risk management and internal control; and</p> <p>(ii) of internal audit operating in accordance with any prescribed norms and standards:</p>	<p>Chief Financial Officer</p> <p>Director: Technical Services</p> <p>Director: Health Services</p> <p>Director: Corporate Services</p> <p>Chief Financial Officer</p> <p>Chief Financial Officer</p>	<p>The directors are responsible to delegate this sub-section to all staff in their area of responsibility.</p> <p>The directors are responsible to delegate this sub-section to all staff in their area of responsibility.</p>	<p>The directors and other officials are only responsible as far as its relates to their area of responsibility.</p>	Page 15

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS**

Municipal Finance Management Act, 2003 (Act 56 of 2003)

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		<p>(d) that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;</p> <p>(e) that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15; and</p> <p>(f) that the municipality has and implements—</p> <p>(i) a tariff policy referred to in section 74 of the Municipal Systems Act;</p> <p>(ii) a rates policy as may be required in terms of any applicable national legislation;</p> <p>(iii) a credit control and debt collection policy referred to in section 96(b) of the Municipal Systems Act; and</p> <p>(iv) a supply chain management policy in accordance with Chapter 11.</p>	<p>Director: Technical Services</p> <p>Director: Health</p> <p>Director: Corporate Services</p> <p>Director: Technical Services</p> <p>Director: Health</p> <p>Director: Corporate Services</p> <p>Chief Financial Officer</p>		<p>The Chief Financial Officer must implement and maintain the policies and procedures relating to this sub-section</p>	

## CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

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26	62(2)	<p><b>Responsible</b> for and <b>must</b> <b>account</b> for all bank accounts of the municipality, including any bank account opened for—</p> <p>(a) any relief, charitable, trust or other fund set up by the municipality in terms of section 12; or</p> <p>(b) a purpose referred to in section 48(2)(d).</p>	Municipal manager	Chief Financial Officer		
27	63(1)	<p><b>Responsible</b> for the management of—</p> <p>(a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and</p> <p>(b) the liabilities of the municipality.</p>	<p>Municipal manager</p> <p>Chief Financial Officer</p> <p>Director: Technical Services</p> <p>Director: Health</p> <p>Director: Corporate Services</p> <p>Manager: Budget and assets</p>	<p>The directors are responsible to delegate this sub-section to all staff in their area of responsibility.</p>	<p>The directors and other officials are only responsible as far as its relates to their area of responsibility.</p> <p>The Accountant must implement and maintain the policies and procedures relating to this sub-section</p>	

# CENTRAL KAROO DISTRICT MUNICIPALITY

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28	63(2)	<p><b>Ensure—</b></p> <p>(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;</p> <p>(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and</p> <p>(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.</p>	Chief Financial Officer	Accountant		

## CENTRAL KAROO DISTRICT MUNICIPALITY

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29	64(2)	<p>Take all reasonable steps to ensure—</p> <p>(a) that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;</p> <p>(b) that revenue due to the municipality is calculated on a monthly basis;</p> <p>(c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;</p> <p>(d) that all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;</p> <p>(e) that the municipality has and maintains a management, accounting and information system which—</p>	Chief Financial Officer	Respective Treasury officials responsible for the particular functions		

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS**

Municipal Finance Management Act, 2003 (Act 56 of 2003)

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		<p>(i) recognises revenue when it is earned;</p> <p>(ii) accounts for debtors; and</p> <p>(iii) accounts for receipts of revenue;</p> <p>(f) that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;</p> <p>(g) that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework; and</p> <p>(h) that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.</p>	Chief Financial Officer	Accountant		

## CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

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30	64(3)	Inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.	Chief Financial Officer	Accountant		
31	64(4)	Take all reasonable steps to ensure— (a) that any funds collected by the municipality on behalf of another organ of state is transferred to that organ of state at least on a weekly basis; and (b) that such funds are not used for purposes of the municipality.	Chief Financial Officer	Accountant		



## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

## Municipal Finance Management Act, 2003 (Act 56 of 2003)

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32	65(2)	<p>Take all reasonable steps—</p> <p>(a) that the municipality has an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;</p> <p>(b) that the municipality has a management, accounting and information system which—</p> <ol style="list-style-type: none"> <li>(i) recognises expenditure when it is incurred;</li> <li>(ii) accounts for creditors of the municipality; and</li> <li>(iii) accounts for payments made by the municipality;</li> </ol> <p>(c) that the municipality has and maintains a system of internal control in respect of creditors and payments;</p>	Chief Financial Officer  Chief Financial Officer	Accountant	The CFO must implement and maintain policies and procedures to guide all staff of the municipality.	

## CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

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		<p>(d) that payments by the municipality are made—</p> <p>(i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and</p> <p>(ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;</p> <p>(e) that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;</p> <p>(f) that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;</p>	Chief Financial Officer	Accountant		
			Chief Financial Officer	Accountant	In the instance where the financial position of the municipality does not allow compliance with this section, the CFO must inform provincial and national Treasury accordingly.	Page 23

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		(g) that any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;	Chief Financial Officer			
		(h) that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;	Chief Financial Officer			
		(i) that the municipality's supply chain management policy referred to in section 111 is implemented in a way that is fair, equitable, transparent, competitive and cost-effective; and	Municipal manager	Accountant	The Accountant is responsible for the management and administration of the supply chain management function.	
		(j) that all financial accounts of the municipality are closed at the end of each month and reconciled	Chief Financial Officer			

# CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

Municipal Finance Management Act, 2003 (Act 56 of 2003)

Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
33	66	Report to the council, in a format and for periods as may be prescribed, on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and in a manner that discloses such expenditure per type of expenditure as stipulated.	Chief Financial Officer			

# CENTRAL KAROO DISTRICT MUNICIPALITY

## DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS

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34	67(1)	<p><b>Ensure</b> before transferring funds of the municipality to an organisation or body outside any sphere of government otherwise than in compliance with a commercial or other business transaction, that the organisation or body—</p> <p>(a) has the capacity and has agreed—</p> <p>(i) to comply with any agreement with the municipality;</p> <p>(ii) for the period of the agreement to comply with all reporting, financial management and auditing requirements as may be stipulated in the agreement;</p> <p>(iii) to report at least monthly to the accounting officer on actual expenditure against such transfer; and</p>	Municipal Manager	Chief Financial Officer		

# CENTRAL KAROO DISTRICT MUNICIPALITY

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		<p>(iv) to submit its audited financial statements for its financial year to the accounting officer promptly;</p> <p>(b) implements effective, efficient and transparent financial management and internal control systems to guard against fraud, theft and financial mismanagement; and</p> <p>(c) has in respect of previous similar transfers complied with all the requirements of this section.</p>				
35	67(3)	Enforce, through contractual and other appropriate mechanisms, compliance with section 67(1).	Chief Financial Officer			

# CENTRAL KAROO DISTRICT MUNICIPALITY

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
36	67(4)	Where section 67(1)(a) does not apply to an organisation or body serving the poor or used by government as an agency to serve the poor, (i) <b>takes</b> all reasonable steps to ensure that the targeted beneficiaries receive the benefit of the transferred funds; and (ii) <b>certifies</b> to the Auditor-General that compliance by that organisation or body with subsection (1)(a) is uneconomical or unreasonable.	Municipal manager	Chief Financial Officer		

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
37	68	(a) assist the mayor in performing the budgetary functions assigned to the mayor in terms of Chapters 4 and 7; and (b) provide the mayor with the administrative support, resources and information necessary for the performance of those functions.	Chief Financial Officer	Accountant		



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **DELEGATION OF POWERS AND DUTIES BY THE ACCOUNTING OFFICER (MUNICIPAL MANAGER) AND RELATED SUB-DELEGATIONS**

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38	69(1)	<p><b>Ensure—</b></p> <p>(a) that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and</p> <p>(b) that revenue and expenditure are properly monitored.</p>	<p>Municipal manager</p> <p>Chief Financial Officer</p> <p>Director: Technical Services</p> <p>Director: Health</p> <p>Director: Corporate Services</p> <p>Accountant</p>	<p>The directors are responsible to delegate this sub-section to all staff in their area of responsibility.</p>	<p>The directors and other officials are only responsible as far as its relates to their area of responsibility.</p> <p>The Accountant must implement and maintain the policies and procedures relating to this sub-section</p>	
39	69(2)	<p><b>Prepare</b> when necessary an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.</p>	Chief Financial Officer	Accountant	Proposal to mayor only once it has been agreed with the municipal manager and directors	

## CENTRAL KAROO DISTRICT MUNICIPALITY

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
40	69(3)	<p><b>Submit</b> no later than 14 days after the approval of an annual budget to the mayor—</p> <p>(a) a draft service delivery and budget implementation plan for the budget year; and</p> <p>(b) drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers.</p>	<p>Chief Financial Officer</p> <p>Municipal manager</p>		All Directors must provide the Key Performance Indicators for their respective functions.	

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
41	70(1)	<p><b>Report</b> in writing to the municipal council—</p> <p>(a) any impending—</p> <p>(i) shortfalls in budgeted revenue; and</p> <p>(ii) overspending of the municipality's budget; and</p> <p>(b) any steps taken to prevent or rectify such shortfalls or overspending.</p>	Chief Financial Officer	Accountant		

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
42	70(2)	<p>Notify the National Treasury, if a municipality's bank account, or if the municipality has more than one bank account, the consolidated balance in those bank accounts, shows a net overdrawn position for a period exceeding a prescribed period, in the prescribed format of—</p> <p>(a) the amount by which the account or accounts overdrawn;</p> <p>(b) the reasons for the overdrawn account or accounts; and</p> <p>(c) the steps taken or to be taken to correct the matter.</p>	Chief Financial Officer			

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
43	71(1)	<p>Submit no later than 10 working days after the end of each month to the mayor of the municipality and the Provincial Treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:</p> <p>(a) Actual revenue, per revenue source;</p> <p>(b) actual borrowings;</p> <p>(c) actual expenditure, per vote;</p> <p>(d) actual capital expenditure, per vote;</p> <p>(e) the amount of any allocations received;</p> <p>(f) actual expenditure on those allocations, excluding expenditure on—</p> <p>(i) its share of the local government equitable share; and</p> <p>(ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and</p>	Chief Financial Officer			

## CENTRAL KAROO DISTRICT MUNICIPALITY

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		(g) when necessary, an explanation of— (i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote; (ii) any material variances from service delivery and budget implementation plan; and (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.	Chief Financial Officer	Accountant		

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44	71(2)	<p>The monthly budget statement must <b>include</b>—</p> <p>(a) a projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and</p> <p>(b) the prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87(10).</p>	Chief Financial Officer			

## CENTRAL KAROO DISTRICT MUNICIPALITY

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45	71(5)	Submit that part of the statement reflecting the particulars referred to in section 71(1)(e) and (f) to the national or provincial organ of state or municipality which transferred the allocation referred to in section 71(1)(e) during any particular month, by no later than 10 working days after the end of that month.	Chief Financial Officer			



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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
46	72(1)(a)	<p>Must by 25 January of each year—</p> <p>(a) assess the performance of the municipality during the first half of the financial year, taking into account—</p> <p>(i) the monthly statements referred to in section 71 for the first half of the financial year;</p> <p>(ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;</p> <p>(iii) the past year's annual report, and progress on resolving problems identified in the annual report; and</p> <p>(iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities.</p>	Municipal manager	Internal Auditor	Internal Auditor must submit the draft to the municipal manager after input from the various directors was obtained by 20 January of each year.	

## CENTRAL KAROO DISTRICT MUNICIPALITY

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47	72(1)(b)	<b>Submit</b> a report on such assessment required in terms of section 72(1) to— (i) the mayor of the municipality; (ii) the National Treasury; and (iii) the Provincial Treasury.	Chief Financial Officer			
48	72(3)	Must, as part of the review required in terms of section 72(1)— (a) <b>make</b> recommendations as to whether an adjustments budget is necessary; and (b) <b>recommend</b> revised projections for revenue expenditure to the extent that this may be necessary.	Chief Financial Officer			

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49	73	<p><b>Inform</b> the provincial treasury, in writing, of—</p> <p>(a) any failure by the council of the municipality to adopt or implement a budget-related policy or a supply chain management policy referred to in section 111; or</p> <p>(b) any non-compliance by a political structure or office-bearer of the municipality with any such policy.</p>	Municipal manager		The Directors must inform the Municipal Manager of any such non-compliance which may come to their knowledge.	

# CENTRAL KAROO DISTRICT MUNICIPALITY

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50	74	<p>(1) <b>Submit</b> to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.</p> <p>(2) If the accounting officer of a municipality is unable to comply with any of the responsibilities in terms of this Act, he or she must promptly <b>report</b> the inability, together with reasons, to the mayor and the provincial treasury.</p>	<p>Chief Financial Officer</p> <p>Municipal manager</p>			

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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51	75(1)	<p>Place on the website referred to in section 21A of the Municipal Systems Act the following documents of the municipality:</p> <p>(a) The annual and adjustments budgets and all budget-related documents;</p> <p>(b) all budget-related policies;</p> <p>(c) the annual report;</p> <p>(d) all performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act;</p> <p>(e) all service delivery agreements;</p> <p>(f) all long-term borrowing contracts;</p> <p>(g) all supply chain management contracts above a prescribed value;</p> <p>(h) an information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during the previous quarter;</p>	Chief Financial Officer			

## CENTRAL KAROO DISTRICT MUNICIPALITY

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		<p>(l) contracts to which subsection (1) of section 33 apply, subject to subsection (3) of that section;</p> <p>(l) public-private partnership agreements referred to in section 120;</p> <p>(k) all quarterly reports tabled in the council in terms of section 52(d); and</p> <p>(l) any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.</p>				
52	101(2)	Table a report referred to in section 101(1) in the municipal council at its next meeting.	Municipal manager		Municipal Entity - Not applicable	

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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Item No.	Section	Cryptic Description of Power or Duty	Delegated to	Lowest Level Sub-delegated to	Remarks, Limitations or Conditions	Authorisation Number
53	114	If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, must, in writing, <b>notify</b> the Auditor-General, the Provincial Treasury and the National Treasury, of the reasons for deviating from such recommendation. Does not apply if a different tender was approved in order to rectify an irregularity.	Chief Financial Officer			

## CENTRAL KAROO DISTRICT MUNICIPALITY

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54	115(1)	<p>Must—</p> <p>(b) <b>implement</b> the supply chain management policy of the municipality or municipal entity; and</p> <p>(b) <b>take</b> all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.</p>	Municipal manager	Chief Financial Officer		



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55	116(2)	<p>Must—</p> <p>(a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;</p> <p>(b) monitor on a monthly basis the performance of the contractor under the contract or agreement;</p> <p>(c) establish capacity in the administration of the municipality or municipal entity—</p> <p>(i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and</p> <p>(ii) to oversee the day-to-day management of the contract or agreement; and</p> <p>(d) regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.</p>	<p>Municipal manager</p> <p>Chief Financial Officer</p> <p>Director: Technical services</p> <p>Director: Corporate services</p> <p>Director: Health</p>	It is the responsibility of the directors to delegate specific responsibilities to their relevant managers		

# CENTRAL KAROO DISTRICT MUNICIPALITY

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56	120(6)	<p>Must when a feasibility study has been completed—</p> <p>(a) submit the report on the feasibility study together with all other relevant documents to the council for a decision, in principle, on whether the municipality should continue with the proposed public-private partnership;</p> <p>(b) at least 60 days prior to the meeting of the council at which the matter is to be considered, in accordance with section 21A of the Municipal Systems Act—</p> <p>(i) make public particulars of the proposed public-private partnership, including the report on the feasibility study; and</p> <p>(ii) invite local community and other interested persons to submit to the municipality comments or representations in respect of the proposed public-private partnership; and</p>	Director: Corporate Services	Manager PIMS	<p>The following needs to support the Director:</p> <p>Corporate services with information and reports as required executing this delegated task.</p> <p>Chief Financial Officer</p> <p>Director: Technical services</p> <p>Director: Health</p>	

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		<p>(c) <b>solicit the views and recommendations of—</b></p> <p>(i) the National Treasury;</p> <p>(ii) the national department responsible for local government;</p> <p>(iii) if the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed, the responsible national department; and</p> <p>(iv) any other national or provincial organ of state as may be prescribed.</p>				

## CENTRAL KAROO DISTRICT MUNICIPALITY

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57	124	Include a statement to the notes to the annual financial statements whether or not the salaries, allowances and benefits of political office-bearers and councilors of the municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.	Chief Financial Officer			

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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58	126(1)	<p>Must—</p> <p>(a) prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing; and</p> <p>(b) in addition, in the case of a municipality referred to in section 122(2), prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.</p>	Chief Financial Officer			

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59	127(5)	<p>Must immediately after an annual report is tabled in the council in terms of section 127(2)—</p> <p>(a) in accordance with section 21A of the Municipal Systems Act—</p> <p>(i) <b>make</b> public the annual report; and</p> <p>(ii) <b>invite</b> the local community to submit representations in connection with the annual report; and</p> <p>(b) <b>submit</b> the annual report to the Auditor-General, the Provincial Treasury and the provincial department responsible for local government in the province.</p>	Chief Financial Officer	Accountant		

# CENTRAL KAROO DISTRICT MUNICIPALITY

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60	128	<p>Must—</p> <p>(a) monitor whether the accounting officer of any municipal entity under the sole or shared control of the municipality has complied with sections 121(1) and 126(2);</p> <p>(b) establish the reasons for any non-compliance; and</p> <p>(c) promptly report any non-compliance, together with the reasons for such non-compliance, to the council of the parent municipality, the Provincial Treasury and the Auditor-General.</p>			<p>Municipal Entity – not applicable.</p>	

## CENTRAL KAROO DISTRICT MUNICIPALITY

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61	129(2)	<p>Must—</p> <p>(a) attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report; and</p> <p>(b) submit copies of the minutes of those meetings to the Auditor-General, the Provincial Treasury and the provincial department responsible for local government in the province.</p>	Chief Financial Officer		All directors to attend these meetings and assist the CFO	



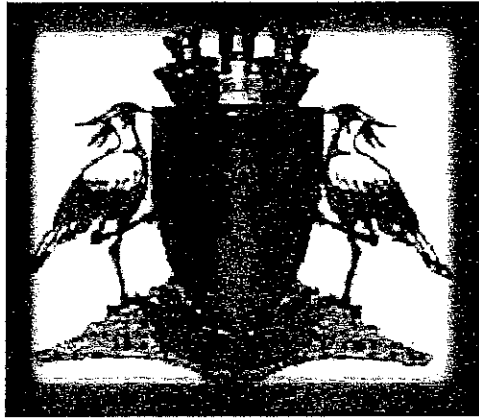
# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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62	129(3)	<b>Make public</b> an oversight report referred to in section 129(1) within seven days of its adoption in accordance with section 21A of the Municipal Systems Act.	Municipal manager	Chief Financial Officer		
63	132(2)	<b>Submit</b> the documents referred to in section 132(1)(a) and (b) to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report in terms of section 129(1).	Municipal manager	Accountant		

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**ANTI-CORRUPTION AND FRAUD  
PREVENTION POLICYN  
FOR  
CENTRAL KAROO DISTRICT MUNICIPALITY  
2015**

VERSION: 1 OF 1

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APPROVED AT COUNCIL MEETING DATED ..... NOVEMBER 2015

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## 1. Introduction

- This policy has been developed as a result of the expressed commitment of the Central Karoo District Municipality to fight fraud and corruption.
- The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the municipality.
- Fraud and Corruption undermine the basic values and principles governing public administration as set out in Chapter 10 of the Constitution.
- This policy provides guidance to all Staff Members, Councillors of the Municipality, and all external stakeholders to prevent and combat fraud and/or corruption and other acts of theft and maladministration.

## 2. Objectives

- The primary objective of the policy is to assist the Accounting Officer, Council and Oversight Committees, to create an environment in the Central Karoo District Municipality and its area, that are based on the prevention of fraud and corruption.
- To develop and maintain a fraud and corruption prevention hotline that is free to all internal and external stakeholders within Central Karoo District Municipality.
- To ensure that Central Karoo District Municipality Municipality's Council, Management and staff members are aware of its responsibilities for identifying exposures to fraudulent and corrupt activities or any other dishonest activities of a similar nature.
- To ensure that Central Karoo District Municipality Municipality's Council, Management and staff members are aware of its responsibilities for establishing controls and procedures for preventing such fraudulent and or corrupt activity and/or detecting such fraudulent and corrupt activity when it occurs.
- To provide a suitable environment for employees to report matters that they suspect may concern corrupt conduct, criminal conduct, criminal involvement or serious improper conduct and to provide a commitment from management within council that they will ensure adequate protection to employees in circumstances where they are victimized as a consequence of reporting, or being a witness to, fraudulent and/or corrupt activities.

## 3. Legislative Framework

This policy has been compiled in accordance with:-

- The Constitution of the Republic of South Africa, 1996;

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- Corruption Act, No. 92 of 1994;
- Public Protector Act, No. 23 of 1994;
- Prevention of Organised Crime Act, No. 121 of 1998 (POCA);
- Protected Disclosures Act, No. 26 of 2000;
- Financial Intelligence Centre Act, No. 38 of 2001 (FICA);
- Local Government: Municipal Finance Management Act, No. 56 of 2003 ("MFMA");
- Local Government: Municipal Supply Chain Management Regulations, No. 27636 of 2005.
- National Treasury Regulations.
- Local Government: Municipal Systems Act, No. 32 of 2000 ("MSA");
- Local Government: Municipal Structures Act, No. 117 of 1998 ("MSA");
- Prevention and Combating of Corrupt Activities Act, No. 12 of 2004;
- Protection of Constitutional Democracy against Terrorist and Related Activities Act, No. 33 of 2004 ("POCDATARA").
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, GG 37699, 2014.
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, GG 37699, 2014.
- The Public Service Commission Rules.

#### **4. Scope of this Policy**

This Policy applies to all forms of fraud and corruption, maladministration or suspected irregularities but not limited to, the following persons or entities:

- Municipal Councillors;
- All Staff Members of the Municipality;
- Service Providers, suppliers, contractors and other providers of goods and services to the Municipality; and
- Any person or entity who stands to benefit from a contract concluded with the municipality;
- Members of the Public.

It prohibits all acts of fraud and corruption or any other dishonest activities of a similar nature impacting or having a potential prejudice to the Municipality or members of the public. Any investigation required will be conducted without regard to the suspected wrongdoer's length of service, position/title, seniority or relationship to the Central Karoo District Municipality.

## 5. Environment and Culture

The Central Karoo District Municipality Municipal Council and Management must create an environment and culture that promotes an efficient, effective and transparent local public administration that conforms to constitutional principles. The municipality must be managed responsibly in which employees believe that dishonest acts will be detected and investigated.

5.1 To create this environment and culture, the Council and Management must:

- Participate in in-house training programmes covering fraud and corruption prevention policy, whistle blowing policy, code of conduct – MSA 32 of 2000 and the municipal code of ethics;
- Ensure that staff understands that the internal controls are designed and intended to prevent and detect fraud and corruption or any other dishonest activities of a similar nature;
- Ensure that fraud, corruption, theft and maladministration or any other form of fraud and corruption will not be tolerated;
- Encourage staff to report suspected fraud and corruption directly as outlined in the whistle blowing policy to those responsible for investigation without fear of disclosure or retribution;
- Require vendors and contractors to agree in writing as a part of the contract process, to abide by the Central Karoo District Municipality policies and procedures, and thereby avoid any conflict of interest;

5.2 It is the responsibility of all Staff Members and Councillors of the Municipality to report incidents of any form of fraud and corruption, maladministration or any other dishonest activity. If an employee is not comfortable reporting such matter to his/her immediate Supervisor or Manager, he/she must report the matter to the next level of management, the whistle blowing hotline process or the Municipal Manager.

5.3 The Municipal Manager or his delegated officer shall report all instances of prima facie criminal conduct to the appropriate authorities. Due cognizance shall be observed with regard to section 34 (1) (b) of the Prevention and Combatting of Corrupt Activities Act, No. 12 of 2004 on miscellaneous matters, which imposed an obligation to report all acts

of corruption, fraud, theft, extortion, forgery, or uttering a forged document. Such acts of dishonesty must be reported to the SAPS, failing which management who are aware of the matter, will be committing a criminal offence. The Municipality shall, however, not only report matters in terms of the above obligation, but shall report all criminal conduct irrespective of the value involved.

5.4 The efficient application of National Treasury Regulations, issued in terms of the MFMA, the application of policy resolutions of the Municipality with regard to Unauthorized, Irregular, Fruitless and Wasteful Expenditure, and other acts of financial dishonesty is an important duty of any recipient of a complaint.

## **6. Roles and Responsibilities**

The following section outlines the fraud and corruption risk management responsibilities associated with different roles within the Municipality.

### **Councillors**

As elected representatives, all members of the Central Karoo District Municipal Council have a duty to the residents of the Central Karoo District Municipality and its staff members to ensure that the Council uses its resources prudently and in accordance with the laws and regulations. As such they are required to operate and adhere to the Council's constitution incorporating the Code of Conduct for Councillors. The Code includes rules regarding relationships, personal interests, gifts and hospitality and confidentiality.

Councillors as the political component should however be cautious not to embark on investigations into these types of allegations themselves. They should promote and ensure that all activities are reported in terms of the channels suggested in this policy and should allow administrative investigations to be finalised within legal prescripts.

### **Municipal Manager**

The Municipal Manager bears the ultimate responsibility for fraud and corruption prevention through risk management within the Municipality. This includes not only the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, reporting of such instances, but should actively promote the culture of sound administration through training and development of all staff.

### **Senior Management**

Senior Management must be committed to eradicating fraud and corruption and ensuring that the Municipality strives to be perceived as ethical in all its dealings with the public and other interested parties. In this regard, senior management, under the guidance of the Municipal Manager, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the Municipality's overall fraud and corruption prevention strategy is reviewed and updated regularly. Furthermore, senior management will ensure that all employees and stakeholders are made aware of its fraud and corruption prevention policy and strategies, also of the whistle blowing policy through various initiatives of awareness and training.

### **Chief Financial Officer**

The Chief Financial Officer has key role in providing advice to Council, Municipal Manager, Staff Members and the public about maladministration, financial impropriety, probity, policy framework and budget issues. The Chief Financial Officer undertakes the statutory responsibility under the Municipal Finance Management Act, No. 56 of 2003, to ensure the proper arrangements for the administration of the Council's financial affairs.

### **Manager: Integrated Risk Management**

The role of the Manager: Integrated Risk Management is to oversee and implement the Municipality's approach to fraud and corruption prevention, detection strategies and response to fraud and corruption incidents reported by employees or other external parties.

### **Internal Auditor**

The role of the Internal Auditor is to independently review and evaluate the adequacy, efficiency and effectiveness of the internal controls (systems and procedures) within the Central Karoo District Municipality on the fraud and corruption prevention, detection strategies and response to fraud and corruption incidents reported by employees or other external parties.

### **Public**

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The public is required to conduct itself in an ethical and moral way. They should ensure that the accountability of councillors and the administration is promoted by becoming involved in the affairs of council, through not only public and community participation mechanisms, but as a stakeholder ensure that they become the eyes and ears of the Municipal Manager, in this very daunting fight against corruption. Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behaviour and what constitutes good or evil. Ethical conduct is based on a set of principles referred to as values or norms.

## **7. Awareness, Training and Development**

- The Accounting Officer and Council recognize that the continuous success of the fraud and corruption prevention policy, and its credibility, will depend largely on the effectiveness of staff throughout the organisation. Continuous awareness campaigns must be rolled out throughout the Central Karoo District Municipality.
- Management therefore will be responsible for ensuring that all staff are properly trained in the procedures that they should follow when undertaking their duties.
- This policy must be included in the Municipal Batho Pele Booklet and published on the Municipal Website.

## **8. Whistle Blowing**

The Protected Disclosures Act, No. 26 of 2000 came into effect on 16 February 2001. This Act makes provisions for procedures in terms of which employees and/or community members may disclose information regarding unlawful or irregular conduct by their employers or other employees in the employ of their employers without fear of victimization.

In order to remain in compliance with the Act, the Municipality has created a whistle blowing policy with the following objectives:

- To promote the zero tolerance on criminal and other irregular conduct within the Central Karoo District Municipality;
- To encourage the reporting of matters that may cause financial or non-financial loss and/or damage to the Municipality's reputation;
- To provide for the appropriate systems and mechanisms for reporting.
- To ensure that council provides the necessary protection to whistle blowers, by concluding agreements to ensure the latter's protection.

## 9. Reporting Procedures on Fraud and Corruption

Consistent with the Auditor General South Africa's guidelines, line managers are responsible for daily operations and for the internal control systems within their organizational responsibility. Where managers do not have the expertise to evaluate internal controls, they should call upon the support from Risk Management and Internal Audit. It is the responsibility of members of the public and employees (including line managers) to report all incidents of fraud, corruption or any other dishonest activities of a similar nature through the following:

- National Anti-Corruption Hotline: 0800 701 701) or
- Central Karoo District Municipality: Tel: +27 23 449 1000 (Municipal Manager / Risk Management and Internal Audit)
- Written complaint to be posted: Municipal Offices, 63 Donkin Street, Private Bag X 560, Beaufort West, 6970, South Africa.

All complaints implicating the Enterprise Risk Management and Internal Audit Units should be reported to the Accounting Officer.

## 10. Confidentiality and Discretion

It is the responsibility of all employees, management, councillors and community members of the Municipality to report all incidents of fraud or corruption, or any other dishonest activities of a similar nature.

Any fraudulent or corrupt behaviour must be reported immediately through the mechanisms set out in the Whistle Blowing Policy. All reported incidents received will be acted upon, will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.

## 11. Conflict of Interests

- Employees and Councillors are compelled to declare and avoid any conflict of interest that might arise which include any financial or other private interest or undertaking that

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could directly or indirectly compromise the performance of the employees and councillor duties or the reputation of the municipality in its relationship with its stakeholders and community.

- Employees and Councillors are compelled to declare their business interests in terms of the disclosure of business interests. For the sake of clarity in respect of the anti-fraud obligations, this requirements goes further in that all employees and councillors are required to declare their business interests whether such business interests are registered or not. The declaration is required regardless of the status of such an entity; whether active or dormant
- All staff members must apply to the Municipal Manager for the approval on work outside of the Municipality, whether it is of financial or non-financial interests.
- The value of gifts received from a single source in any calendar year may not exceed R 350.00 for Staff members and R1000.00 for Councillors. Should the value of the gift, reward or favour be uncertain or disputed, the value will be determined by the relevant Manager / Director.
- Any gift as defined in terms of section 9 of Schedule 1 of the Systems Act, No. 32 of 2000 may not be accepted by any Councillor.
- Any gift as defined in terms of section 8 of Schedule 2 of the Systems Act, No. 32 of 2000 may not be accepted by any staff member.
- Items received which could be clearly defined as marketing material does not constitute a gift.
- Receipt of gifts in any of the following scenarios would prima facie be viewed, to evaluate whether it is in breach of section 9 of Schedule 1 and section 8 of Schedule 2 of the Systems Act and section 47 of the Municipal Supply Chain Management regulations: a) Tenders; b) Contracts; c) Provider and prospective providers as well as receivers and prospective receivers of goods in terms of actions that are clearly enacted to avoid and prevent corruption practices.
- The responsibility of granting authority to staff members to accept rewards, gifts or favours above R350.00 rests with the Directors of each directorate and the Municipal Manager (or his nominee) to the Directors.
- The responsibility of granting authority to the Municipal Manager to accept rewards, gifts or favours above R350.00 rests with the Executive Mayor.
- The responsibility of granting authority to councillors to accept rewards, gifts or favours above R1000.00 rests with the Speaker.
- Councillors must report gifts received by completing and submitting the "Declaration of Rewards, Gifts and Favour Form" to the Office of the Speaker (Speaker).

- Staff members must report rewards; gifts and favour received by completing and submitting the "Declaration of Rewards, Gifts and Favour Form" to his/her Director.
- The Directors must report rewards, gifts and favours received by Staff members to the Office of the Municipal Manager (Enterprise Risk Management).
- The office of the Municipal Manager (Enterprise Risk Management Unit) shall provide details of all rewards, gifts and favours received by Councillors and Staff members and authorized by the Executive Mayor, Speaker or Municipal Manager to the Risk and Ethics Management Committee (who is responsible for ethics management), Audit Committee (Oversight) on a quarterly basis and the Office of the Speaker (Council).
- A register will be kept and maintained in the office of the Municipal Manager (Enterprise Risk Management Unit).

## 12. Prevention Controls, Detection Mechanisms and Investigation

All Managers are responsible for the detection, prevention and investigation of fraud and corruption or any dishonest activities of a similar nature, within their areas of responsibility. The responsibility to conduct investigations relating to the actions listed in this policy resides with Council, the Municipal Manager and the Directors within the Municipality who have the advisory and supporting assistance from departments and external state agencies which may include any of the following:

- Internal and external audit services;
- State Attorney;
- External investigating agencies, for example the SAPS, where matters fall within their mandate; d) External consultants, for example Forensic Accounting Consultants;
- Office of the National Director of Public Prosecutions;
- Special Investigating Units established under any law;
- The Public Protector;
- Any other authority as may be determined by Council.

The Human Resources Unit must provide adequately qualified prosecutors (initiators) and presiding officers to deal with disciplinary enquiries relating to serious misconduct.

For the purpose of this policy "serious misconduct" means

- Theft, unauthorized possession of or malicious damage to the employer's property.
- Any act of gross dishonesty.

- Gross negligence.
- Wrongful disclosure of privileged information.
- Any act of fraud, corruption or bribery.
- Any other act of misconduct that would constitute just cause for dismissal for a first offence.

### 13. Forms of fraud and corruption

The following are examples of different types of corruption:

- **Bribery**

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of public servants.

- **Embezzlement**

This involves theft of resources by persons entrusted with the authority and control of such resources.

- **Fraud**

This involves any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.

- **Abuse of power**

This involves a public servant using his or her vested authority to improperly benefit another public servant, person or entity (or using vested authority to improperly discriminate against another public servant, person or entity).

- **Conflict of interest**

The failure by a public servant to act or to consciously fail to act on a matter where the public servant has an interest or another person or entity that has some form of relationship with the public servant has an interest.

- **Abuse of privileged information**

This involves the use, by a public servant of privileged information and knowledge that a public servant possesses as a result of his/ her office to provide unfair advantage to another person or entity to obtain a benefit.

- **Favouritism**

The provision of services and/or resources, according to personal affiliation, (for example cultural or religious) of a public servant.

- **Nepotism**

A public servant ensuring that family members are appointed to public service positions or that family members receive contracts from the state is regarded as nepotism. These manifestations are by no means exhaustive as corruption appears in many forms and it is virtually impossible to list all of these. It is the responsibility of Management to report some form of serious misconducts to the South African Police Services. The South African Police Service is empowered by s205 of the 1996 Constitution to prevent, combat and investigate crime, to maintain public order, to protect and secure the inhabitants of the Republic of South Africa and their property, and to uphold and enforce the law.

## **14. Review and Approval of the Policy**

The Municipal Council must every three (3) year review this Policy and determine its adequacy and effectiveness for current circumstances.

### **ADOPTION**

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**MUNICIPAL SPEAKER  
CENTRAL KAROO DISTRICT MUNICIPALITY**

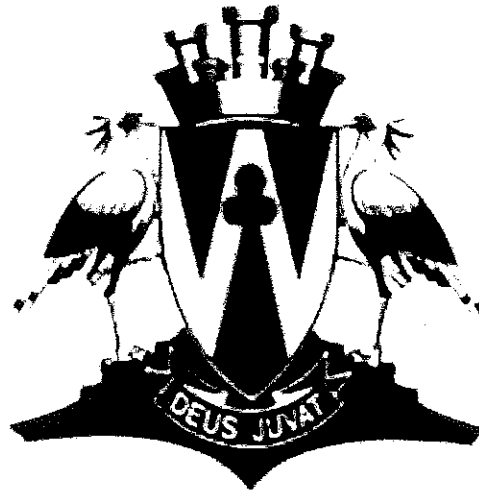
\_\_\_\_\_  
**EXECUTIVE MAYOR  
CENTRAL KAROO DISTRICT MUNICIPALITY**

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**MUNICIPAL MANAGER  
CENTRAL KAROO DISTRICT MUNICIPALITY**

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APPROVED AT COUNCIL MEETING DATED ..... NOVEMBER 2015

# **CENTRAL KAROO DISTRICT MUNICIPALITY**



## **CREDIT CONTROL AND DEBT COLLECTION POLICY**

***APPROVED BY COUNCIL:***

***DATE OF IMPLIMENTATION:***

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## 1 OBJECTIVES OF THE POLICY

The objectives of the policy are to:

- Provide a framework within which the municipal Council can exercise its executive and legislative authority with regard to credit control and debt collection.
- Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers in a financially sustainable manner.

***Section 96(a) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) provides that a municipality must collect all money that is due and payable to it subject to this Act and any other applicable legislation.***

- Focus on all outstanding debt as raised on the debtor's account and set realistic targets for collection.
- Outline credit control and debt collection policy procedures.
- Provide a framework to link the municipal budget to;
  - tariff policies
- Promote a culture of good payment habits amongst debtors and instill a sense of responsibility towards the payment of municipal accounts and reducing municipal debt.
- Subject to the principles provided for in this policy, Council must use innovative, cost effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process.
- Effectively and efficiently deal with defaulters in accordance with the terms and conditions of the policy.

## 2 DEFINITIONS

### 2.1 "arrears"

refers to any amount due to the Council not paid by the due date.

### 2.2 "billing"

refers to the process of charging for services provided by issuing accounts.

### 2.3 "credit control"

It deals with the conditions and procedures to render accounts and to regulate the payment for services rendered.

### 2.4 "credit control policy"

refers to the regulation of day-to-day actions leading to the issuing of accounts and the payment thereof. This includes issues like service agreements, payment facilities, pay-points, final dates for payment, interest and assistance to the poor.

### 2.5 "debt collection"

refers to the debt recovery process and includes sanctions (warning, disconnection, adverse credit rating, legal

## **2.6 "debt recovery policy"**

process, etc.) to be applied in the event of non-payment of accounts.

refers to the regulating of actions pertaining to arrear accounts, including extensions granted, written arrangements to pay off arrears, the monitoring thereof and legal actions associated with unpaid accounts.

## **2.7 "due date"**

refers to the final date of payment as shown on the debtor's municipal account, demand or notices.

## **2.8 "holistic"**

refers to the combining of all debt in order to establish the total obligation of the debtor

## **2.9 "indigent amount"**

refers to the applicable value of the indigent subsidy as determined by the Council from time to time

## **2.10 "interest on overdue accounts"**

is based on a full month and part of a month shall be deemed to be a full month.

## **2.11 "sundry debt"**

refers to any debt other than for rates, housing, metered services, sewerage and refuse removal

## **2.12 "standard rate"**

means a rate of interest which is one percent higher than the rate of interest payable by Council to its bank in respect of an overdraft.

## **3 PRINCIPLES**

- The administrative integrity of the municipality must be maintained at all costs. The democratically elected officials (councillors) are responsible for policy-making, while it is the responsibility of the municipal manager to execute these policies.
- A copy of the application form, conditions of services and extracts of the relevant council's credit control and debt collection policy and by-laws must be handed to every customer on request.
- Billing is to be accurate, timeous and understandable.
- The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- The customer is entitled to an efficient, effective and reasonable response to appeals and should suffer no disadvantage during the processing of a reasonable appeal.
- Enforcement of payment must be prompt, consistent and effective.
- Fraud/criminality will lead to loss of rights and heavy penalties and/or public prosecution.
- Incentives and disincentives may be used in collection procedures.
- The collection process will be cost-effective.
- Collection "Best Practices" will be pursued.
- Results will be regularly and efficiently reported.

- Although customer care and debt collection are inter-related issues, they should be performed by two separate divisions.
- There must be legal cause between the municipality and its customer and customer debt must arise out of a legal framework and must be legally collectable.
- Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- Human dignity must be upheld at all times. The policy must be implemented with equity, fairness and consistency.
- Debts and arrangements to repay debts shall be treated holistically, but different repayment periods or methods may be determined for different types of service, debtors or areas within the general rule that the repayment period should be in sympathy with the installments that the debtor can afford (not applicable on levy income).
- The implementation of the policy shall be based on sound business principles which may include credit worthiness checks.
- New applications for services will be subject to prescribed credit information and outstanding amounts may be transferred to the new account. All information furnished on the application form may be verified by Council with any or all data information institutions, credit information bureaus and, or any financial institutions as may be deemed necessary by Council in determining the applicant's credit worthiness.
- Debtors may be referred to third party debt collection agencies and may be placed on the National Credit Rating list.
- All recoverable costs incurred by Council relating to the collection process shall be recovered from the debtor.
- Interest charges on overdue accounts will be levied from the due date if not paid by the following due date and will be calculated for a full month(s) irrespective of when payment is made. The interest charged will appear in the following month's account.

## 4 DUTIES AND FUNCTIONS

### 4.1 *Duties and functions of Council*

- To approve a budget consistent with the needs of communities.

***Preferably, the total equitable share should be set aside for this purpose. If this amount is not enough an additional sustainable provision must be made according to the municipality's financial ability.***

- To provide for debt impairment, in line with the payment record of the community, as reflected in the financial statements of the municipality.

***The debt impairment provision should at least reflect the increase in debtors during the previous financial year. The***

***amount provided for can only be reduced by the amount provided for working capital.***

- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Municipal Manager.

***A realistic target would be to improve on the previous year's result by at least 2,5%. The target should be reviewed every year until the turnover rate of debtors is less than 60 days.***

- To approve a reporting framework for credit control and debt collection.
- To consider and approve by-laws to give effect to the Council's policy.
- To monitor the performance of the Executive Mayor/Mayoral Committee and Municipal Manager regarding credit control and debt collection.
- To revise the budget should Council's targets for credit control and debt collection not be met.
- To take disciplinary action against councillors' officials and agents who do not execute council policies and by-laws.

***Including credit control and debt collection.***

- To approve a list of attorneys that may act on behalf of Council should any legal matters relating to debt collection arise. (Refer to Procurement Policy)
- To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Executive Mayor/Mayoral Committee and Municipal Manager respectively.
- To provide sufficient capacity in the Treasury department for credit control and debt collection.
- To appoint debt collection agents to assist the Municipal Manager in the execution of his duties, if required.

***4.2 Duties and functions of Executive Mayor/Mayoral Committee***

- To ensure that Council's budget cash-flow and targets for the debt collection are met and executed in terms of the policy and relevant by-laws.
- To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- To report to Council.

***Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the Executive Mayor/Mayoral Committee must –***

***(a) Oversee and monitor -***

- 1 The implementation and enforcement of the municipality's credit control and debt collection policy and any by-laws enacted in terms of section 98; and***
- 2 The performance of the municipal manager in implementing the policy and any bylaws.***
- 3 When necessary, evaluate or review the policy and any by-law or the implementation of the policy or such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and***
- 4 At such intervals as may be determined by the Council report to a meeting of the Council, except when the Council itself performs the duties mentioned in paragraph 1, 2 and 3.***

#### ***4.3 Duties and functions of the Municipal Manager***

- To implement good customer care management.
- To implement council's credit control and debt collection policy.
- To install and maintain an appropriate accounting system.
- To bill customers.
- To demand payment on due dates.
- To raise penalties for defaults.
- To appropriate payments received.
- To collect outstanding debt.
- To implement "Best Practices".
- To provide different payment methods.
- To determine credit control measures.
- To determine work procedures for public relations, arrangements, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- To appoint firm/s of attorneys to complete the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- To set performance targets for staff.
- To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- To delegate certain functions to heads of department.
- To determine control procedures.
- To report to the Executive Mayor/Mayoral Committee.

#### ***4.4 Duties and functions of Communities, ratepayers and residents***

- To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

- To pay fees imposed by the municipality.
- To observe the mechanisms and processes of the municipality in exercising their rights.
- To allow municipal officials reasonable access to their property to execute municipal functions.
- To comply with the by-laws and other legislation of the municipality.
- To refrain from tampering with municipal services and property.

#### **4.5 Duties and functions of Political parties**

- To hold regular meetings.
- To adhere to and convey council policies to residents.
- To adhere to council's code of conduct for councillors.

### **5 CUSTOMER CARE AND MANAGEMENT POLICY**

***Section 95(a) of the Local Government Municipal Systems Act, 2000 provides that a municipality must within its financial and administrative capacity, establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for payments and the municipality.***

#### **5.1 Communication and feedback**

5.1.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling its budget which will include:

- a) A First Budget Meeting, in January, wherein Executive Mayor / Mayoral Committee will consider budget priorities, principles and a budget framework.
- b) A first round of public meetings will then be called, to invite at least the following: political parties; ratepayers and civic organizations; chambers of business and organized labour; the general public and other interested parties, at which the budget priorities, principles and framework will be outlined and debated.
- c) Need identification workshops will be conducted throughout the Region (IDP meetings), the objects of which will be:
  - i) To identify all the needs of B Municipalities that are legitimately in the area of responsibility of the council.
  - ii) To involve the community in prioritizing these needs.
  - iii) To involve the community in Council's planning, and to provide the community with much basic information as to what Council does and what other levels of government do.
  - iv) To inform the community of the levels of payment and non-payment in specific areas, and to devise strategies in that regard.
- d) A council workshop, which will marry the results of the first budget meeting, the public meetings, and the need

identification workshops with Council's Integrated Development Plan.

- e) Thereafter Council's draft Capital and Operating budgets, informed by the above processes, will go through Council's Executive Mayor/Mayoral Committee for the creation of a draft budget.
- f) This draft budget implications, will then be presented to a second round of public meetings.
- g) Thereafter a final draft of the budget appears before Council for approval.

5.1.2 Council's Credit Control and Debt Collection Policy, will be available in English, Afrikaans and Xhosa, and will be made available by general publication and on specific request, and will also be available at Council's cash collection points.

5.1.3 Council aims to establish:

- a) Decentralised complaints/feedback offices according to the constituencies of direct elected Councillors;
- b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
- c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
- d) A communication mechanism to give council feedback on service, debt and other issues of concern.

## 6 ACCOUNTS AND BILLING

***Section 95(d) of the Local Government Municipal Systems Act, 2000 provides that a municipality must, within its financial and administrative capacity take reasonable steps to ensure that the consumption of services has to be measured through accurate and verifiable metering systems.***

- Customers will receive an understandable and accurate bill from the municipality.
- Settlement or due date is 14 days from date of statement.
- Accounts must be consumer friendly and must clearly reflect the following minimum information :
  - (a) the name, address and contact numbers of the Council;
  - (b) the name and postal address of the account holder;
  - (c) details of the service in respect of which the account is issued;
  - (d) the contents of the account must be reflected in the language of the account holder
    - at present, a choice between Afrikaans and English is offered;
  - (e) the balance brought forward from the previous account as well as a summary of transactions for the present period;
  - (f) all services for which the account is rendered as well as amounts billed for such services;
  - (g) the final amount payable;

- (h) the final date for payment;
- (i) soft reminders in respect of interest levies;
- (j) the situation of payment facilities and modes of payment accepted and hours for payment; and
- (k) VAT Registration number and account number.

### **6.1 Full and final settlement payments**

- Any part payment of an account in full and final settlement can only be tendered to the Executive Director of Finance or his delegated authority.
- Should such a payment not be tendered in accordance with abovementioned, cash or postal orders will be returned to the payer. If such payment is in the form of a cheque, credit card or electronic payment, the amount will be returned to the drawer thereof.
- The account will be adjusted accordingly and debt management actions will commence as if no payment has been tendered.

### **6.2 Payment facilities and methods and stop orders and debit orders**

- The municipality will operate and maintain suitable banking and cash facilities which will be accessible to all users.
- The municipality will at its discretion allocate a payment between service debts – a debtor who has overdue debt may not specify that the payment is for a specific portion of the account.
- The municipality may with the consent of a customer approach an employer to secure a debit or stop order arrangement.
- The customer will acknowledge, in the customer agreements, that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

### **6.3 Arrangements**

#### ***Arrangement Criteria for debtors***

If any debtor wishes to make an arrangement for a period of not longer than six months, and will pay the first installment immediately, interest on the arrangement amount may be suspended as long as the terms of the arrangement are maintained.

### **6.4 Enquiries, Appeals, Service complaints and Disputes**

- If a customer is convinced that his or her account is inaccurate, he or she can lodge an appeal with the municipality for recalculation of this account.



***Section 95(f) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must provide accessible mechanisms for those persons to query or verify accounts and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts.***

- Duplicate accounts must be available upon request.
- "Dispute" referred to in Section 102(2) of the Municipal Systems Act, No. 32 of 2000 as the instance when a debtor questions the correctness of any account by Council to him and such debtor lodges an appeal with Council.
- In order for a dispute to be registered with Council the following procedures must be followed:
  - The debtor must render the dispute in writing to Council and this must be actually received by Council.
  - The debtor must furnish his full personal particulars including his account number, telephone number, fax, e-mail addresses and any other relevant particulars.
  - The full nature of the dispute must be described in the correspondence.

On receipt of the dispute the Council will take the following actions:

- A Register must be kept in which all disputes received are to be entered.
- An authorized controlling official will keep custody of the register and conduct a daily or weekly check or follow-up on all disputes as yet unresolved.
- A written acknowledgement of receipt must be provided to the debtor.
- All appeals regarding disputed amounts must be unilaterally concluded by Council's authorized officials within 14 calendar days from receipt thereof.
- Council's authorized official's decision is final and will result in the immediate implementation of any debt collection and credit control measures after the debtor is provided with the outcome of the appeal.
- The same dispute will not be reconsidered and will not again be defined as a dispute.
- If the debtor is not satisfied with the outcome of his appeal he may under protest pay the amount in dispute and redress his action to a court of law.

## **7 BUSINESS WHO TENDER TO THE MUNICIPALITY**

***The Procurement Policy and Tender Conditions include the following:***

- (i) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.
- (ii) A municipal account to mean any municipal service charge, or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated account or overdue in terms of the contract or any other due date that has passed.
- (iii) Tender conditions contain a condition allowing the municipality to deduct moneys owing to the municipality from contract payments in terms of a reasonable arrangement with the debtor.

## **8 INCENTIVES FOR PROMPT PAYMENT**

- The municipality may, to encourage payment, and to reward good payers consider from time to time incentives for the payment of accounts.
- Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

## **9 CUSTOMER ASSISTANCE PROGRAMMES**

### ***Arrangements for settlements***

- If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer. He/she must:
  - (i) Sign an acknowledgement of debt;
  - (ii) Sign a consent to judgment;

- (iii) Provide a garnishee order/emolument order/stop order (if he or she is in employment);
  - (iv) Acknowledge that interest will be charged at the prescribed rate;
  - (v) Pay the current portion of the account in cash; and
  - (vi) Sign an acknowledgement that, if the arrangements negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will immediately follow, as will legal proceeding.
- Council reserves the right to raise the deposit/security requirement of debtors who seek arrangements.

## **10 DEBT COLLECTION POLICY**

### **10.1 *Interest and penalties***

Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.

***Section 97(e) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for interest on arrears, where appropriate.***

- The decision to waive interest in specific instances can only be taken by a decision of Council or its delegated Committee.

### **10.2 *Personal contact***

#### ***Telephonic contact***

##### **10.2.1 *Agents calling on clients***

- Council will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigence subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies, and other related matters and will provide information on how and where to access such arrangements or subsidies.

- The municipality shall maintain a schedule of debtors with large amounts outstanding (the cut-off amount will be agreed by Council) and will maintain intensive contact with these debtors.
- Council may consider the use of agents and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents will be closely monitored by Council.
- Such contact is not a right that debtors enjoy – other collection proceedings will continue in the absence of such contact for whatever reason.

### **10.3 *Legal Process/Use of attorneys/Use of credit bureaus***

- Council will, when a debtor is 60 days in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.
- Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.
- Council will establish procedures and codes of conduct with these outside parties by their attorneys, the courts, etc.
- Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.
- All costs of this process are for the account of the debtor.
- Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing and included in Council's agreement with its customers.
- Customers will be informed of the powers and duties of such agents and their responsibilities including the observation of agreed codes of conduct.
- Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

### **10.4 *Cost of collection***

- All costs of legal process, including interest, penalties, and legal costs associated with credit control are for the account of the debtor and should reflect at least the cost of the particular action.

### **10.5 Dishonoured payments**

- Receipts issued in respect of dishonoured cheques and ACB deductions must be written back upon receipt of such notices. Interest on arrears must be raised where applicable. Debtors must be notified and debt recovery actions be instructed where necessary.
- Should payments be dishonoured regularly, the debtors system must be encoded to not accept cheques or debit order transactions of such a debtor and he/she must be informed in writing.

### **Rates and General Services**

- If the drawer of the cheque, or the customer who received value from the depositing of the cheque, is an existing debtor of Council, the reversal and penalty fee may be debited to an account of the drawer or beneficiary and a letter of notification must be sent to the debtor. Such fee shall be deemed to be a tariff charge and shall be recovered from the debtor. Council reserves the right to refuse to accept further cheques from the drawer or beneficiary, to place the matter on the National Adverse credit listing and also institute legal action which may include criminal charges against the offender.

### **Miscellaneous Services**

- If the drawer of the cheque is not an existing debtor of Council, then a sundry debtor account is opened and the debit and penalty is raised. Once the account is submitted and the debtor fails to honour the cheque and pay the penalty within 14 days of receipt, a final demand is generated and submitted. If there is still no response, then the matter shall be handed over for placement on the National Adverse Credit listing and/or institute legal action that may include criminal charges against the offender.
- If the drawer of the cheque or the customer who received value from the depositing of the cheque is an existing debtor of Council, the reversal and penalty fee may be debited to an account of the drawer or beneficiary and a letter of notification

## **15 CUSTOMER SERVICE TARGETS**

Council to create targets that would include:

- (i) Response time to customer queries.
- (ii) Date of first account delivery to new customers.

## **16 ADMINISTRATIVE PERFORMANCE**

Council to create targets that will include:

- (i) Cost efficiency of debt collection.
- (ii) Query rates.
- (iii) Enforcement mechanism ratios.

Council will create a mechanism wherein these targets are assessed; Council's performance is evaluated and remedial steps taken.

## **17 REPORTING TO COUNCIL**

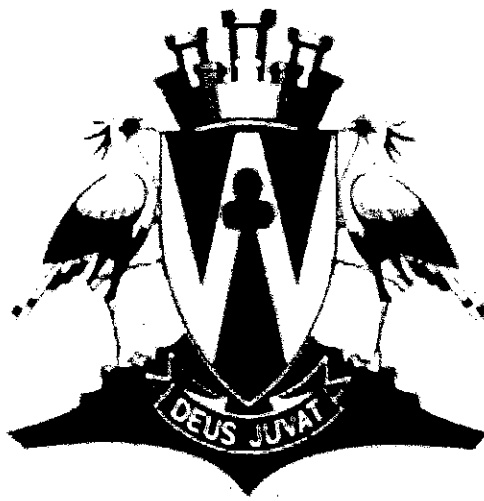
- The Executive Director: Finance shall report monthly to the Municipal Manager in a suitable format to enable the municipal Manager to report to Council. This report shall report on:
  - (i) Cash flow information for the capital and operating accounts, and combined situation, showing Council's actual performance against its cash flow budgets.
  - (ii) Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; default arrangements; growth or reduction of arrear debtors; ideally divided into wards, business (commerce and industry) domestic, state, institutional and other such divisions.
  - (iii) Performance of all areas against targets agreed to in item 6 of this policy document.
  - (iv) Council's ongoing income and expenditure statements, comparing both billed income and cash receipt income, against ongoing expenditure in both the capital and operating accounts.
- If in the opinion of the Executive Director: Finance, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Executive Director: Finance will report this with motivation to the Municipal Manager who will, if he agrees with the Executive Director: Finance, immediately move for a revision of the budget according to realistically realizable income levels.

## **18 STRUCTURES OF THE FINANCE DEPARTMENT**

Council shall regularly receive a report from the Chief Financial Officer, if necessary after consultation with suitable consultants, on the manpower and systems requirements of treasury which requirements take into

account Council's agreed targets of customer care and management, and debt collection, and, after considering this report, Council will within reason vote such resources as are necessary to ensure that treasury has the staffing and structures to meet Council's targets in this regard or to outsource the service.

# **CENTRAL KAROO DISTRICT MUNICIPALITY**



## **BUDGET POLICY**

***APPROVED BY COUNCIL:  
DATE OF IMPLIMENTATION:***



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## DEFINITIONS

**"Accounting Officer"** - means the person appointed by the Municipal Council as the Accounting officer for the municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998) and includes any person:

- a) to whom the Accounting officer has delegated a power, function or duty in respect of such a delegated power, function or duty.

**"Allocation"** - means

- (a) a municipality's share of the local government's equitable share referred to in section 214(1)(a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget;
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction; or
- (e) RSC Levies Transfer Payments (Replacement Grant)

**"Annual Division of Revenue Act"** - means the Act of Parliament, which must be enacted annually in terms of section 214(1) of the Constitution;

**"Approved budget"** - means an annual budget

- (a) approved by a municipal council in terms of section 24 of the MFMA; or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

**"Basic Municipal Service"** - means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

**"Budget-related Policy"** - means a policy of a municipality affecting or affected by the annual budget of the municipality, including

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of section 3 of the municipal property rates Act;
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
- (e) a funding and reserves policy;
- (f) a policy related to the long-term financial plan;
- (g) the supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;
- (h) any policies dealing with the management and disposal of assets;
- (i) any policies dealing with infrastructure investment and capital projects, including –
  - (i) the policy governing the planning and approval of capital projects; and
  - (ii) the policy on developer contributions for property developments;

- (j) the indigents policy of the municipality;
- (k) any policies related to the provision of free basic services;
- (l) any policies related to budget implementation and monitoring including –
  - (i) a policy dealing with the shifting of funds within votes;
  - (ii) a policy dealing with unforeseen and unavoidable expenditure; and
  - (iii) policies dealing with management and oversight;
- (m) any policies related to personnel including policies on overtime, vacancies and temporary staff;

**"Budget transfer"** - means transfer of funding within a function/vote;

**"Budget Year"** - means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

**"chief financial officer"** - means a person designated in terms of section 80(2)(a) of the MFMA;

**"councillor"** - means a member of a municipal council;

**"creditor"** - means a person to whom money is owed by the municipality;

**"current year"** - means the financial year, which has already commenced, but not yet ended;

**"delegation"** - in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

**"financial recovery plan"** - means a plan prepared in terms of section 141 of the MFMA;

**"financial statements"** - means statements consisting of at least

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

**"financial year"** - means a twelve months period commencing on 1 July and ending on 30 June each year;

**"financing agreement"** - includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

**"fruitless and wasteful expenditure"** - means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

**"irregular expenditure"** - means

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170 of the MFMA;

- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

**"investment"** - in relation to funds of a municipality, means

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

**"lender"** - means a person who provides debt finance to a municipality;

**"local community"** - has the meaning assigned to it in section 1 of the Municipal Systems Act;

**"Municipal Structures Act"** - means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

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

**"long-term debt"** - means debt repayable over a period exceeding one year;

**"executive mayor"** - means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

**"municipal council"** or **"council"** - means the council of a municipality referred to in section 18 of the Municipal Structures Act;

**"municipal debt instrument"** - means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

**"municipal entity"** - has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

**"municipality"** -

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

**"municipal service"** - has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

**"municipal tariff"** - means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

**"municipal tax"** - means property rates or other taxes, levies or duties that a municipality may impose;

**"MFMA"** - means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

**"National Treasury"** - means the National Treasury established by section 5 of the Public Finance Management Act;

**"official"** - means

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

**"overspending"** -

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

**"past financial year"** - means the financial year preceding the current financial year;

**"quarter"** - means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

**"service delivery and budget implementation plan"** - means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:

- (a) projections for each month of -
  - (i) revenue to be collected, by source; and

- (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

**"short-term debt"** - means debt repayable over a period not exceeding one year;

**"standards of generally recognised accounting practice"** - means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

**"unauthorised expenditure"** - means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes:

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

**"virement"** - means transfer of funds between line items;

**"vote"** - means

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

## **1. INTRODUCTION**

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

## **2. OBJECTIVE**

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to the Central Karoo District Municipality's IDP review and budget processes.

## **3. BUDGETING PRINCIPLES**

- The municipality shall not budget for a cash deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- The municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) that would be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

## **4. BUDGET PREPARATION PROCESS**

### **4.1 Formulation of the budget**

- (a) The Accounting Officer with the assistance of the Chief Financial Officer, Deputy Director: Budget and Management Information, BTO Manager and the Manager IDP shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

- (b) In terms of section 21(1)(b) of the MFMA, the executive mayor shall table the IDP process plan as well as the budget timetable to Council not later than 31 August of each year for approval (10 months before the start of the next budget year).
- (c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, Municipal Budget and reporting regulations as well as the guidelines set by National Treasury.
- (d) The Executive Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The executive mayor shall table the IDP priorities with the draft budget to Council.
- (e) The Executive Mayor shall table the draft IDP and MTREF budget to council before or on 31 March of each year (90 days before the start of the new budget year) together with the draft resolutions and budget-related policies.
- (f) The Chief Financial Officer and Budget Steering Committee undertake the technical preparation of the budget.
- (g) The budget must be in the prescribed format by National Treasury, and must be divided into capital and operating budget.
- (h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (i) The expenses reflected in the budget must be divided into items.
- (j) The budget must contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated revenues and expenses for the current year and the two prior year actual revenue and expenditures.

#### **4.2 Publication and submission for consideration**

- 1) After the draft budget is approved by Council, it is released for public comment and for National and Provincial Treasuries as required by section 22 of the Act.
- 2) When making public the annual budget and supporting documentation in terms of section 22(a) of the Act, read with section 21A of the Municipal Systems Act, the municipal manager must also make public any other information that the municipal council considers appropriate to facilitate the budget consultation process, including –
  - a) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and
  - b) information relevant to each ward in the municipality.
- 3) All information contemplated in (1) above must cover:



- a) the relevant financial and service delivery implications of the annual budget; and
  - b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.
- 4) When submitting the annual budget to the National Treasury and the relevant provincial treasury in terms of section 22(b)(i) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
- a) the supporting documentation as tabled in the municipal council;
  - b) the draft service delivery and budget implementation plan; and
  - c) any other information as may be required by the National Treasury.
- 5) The municipal manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to –
- a) any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
  - b) any other organ of state on receipt of a request from that organ of state.

#### **4.3 Consultations on Tabled Budgets**

- 1) The mayor must for purposes of section 23 of the Act table the following documents in the municipal council –
  - a) a report summarising the local community's views on the annual budget;
  - b) any comments on the annual budget received from the National Treasury and the relevant provincial treasury;
  - c) any comments on the annual budget received from any other organ of state, including any affected municipality; and
  - d) any comments on the annual budget received from any other stakeholders.
- 2) The municipal manager must assist the mayor in the preparation of the documents referred to in subparagraph (1) and section 23(2) of the Act.
- 3) Once the comments from the public, and the National and Provincial Treasuries have been submitted, noted and considered, the necessary amendments are made to the draft budget and the budget is then tabled for Council to consider approval of the budget at least 30 days before the start of the budget year (31 May).

#### **4.4 Approval of the budget**

- a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).

- b) The council resolution, must contain budget-related policies and performance measures to be adopted.
- c) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.
- d) The budget tabled to Council for approval shall include the following supporting documents:
  - i) draft resolutions approving the budget;
  - ii) and levying tariffs for the financial year concerned;
  - iii) measurable performance objectives for each budget vote, taking into account the municipality's IDP;
  - iv) the projected cash flows for the financial year by revenue sources and expenditure votes;
  - v) any proposed amendments to the IDP;
  - vi) any proposed amendments to the budget-related policies;
  - vii) the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;
  - viii) particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on; and
  - ix) particulars of the municipality's investments.

#### **4.5 Publication of the budget**

- a) Within 14 days after the draft annual budget has been tabled, the Director must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.
- b) The Chief Financial Officer must within 14 days after the draft annual budget is tabled:
  - i) submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website; and
  - ii) ensure that a newspaper advertisement is placed that the draft budget is available at the Municipal offices and available for comments.

#### **4.6 Service Delivery and Budget Implementation Plan (SDBIP)**

- a) The Executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- b) The SDBIP shall include the following components:
  - i) Monthly projections of revenue to be collected for each source;
  - ii) Monthly projections of expenditure (operating and capital) and revenue for each vote;

- iii) Quarterly projections of service delivery targets and performance indicators for each vote;
- vi) Ward information for expenditure and service delivery; and
- vii) Detailed capital works plan broken down by ward over three years.

## 5. CAPITAL BUDGET

- a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably (GRAP 17);
- b) The capital budget shall distinguish between replacement and new assets;
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget;
- d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes;
- e) Before approving a capital project, the Council must consider:
  - i) the projected cost of the project over all the ensuing financial years until the project becomes operational; and
  - ii) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget.
- f) Before approving the capital budget, the council shall consider:
  - i) the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans if any;
  - ii) depreciation of fixed assets;
  - iii) maintenance of fixed assets; and
  - iv) any other ordinary operational expenses associated with any item on such capital budget.
- g) Council shall approve the annual or adjustment capital budget only if it has been properly cash funded.
- h) The capital expenditure shall be funded from the following sources:
  - i) Revenue or Surplus
    - If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure;
    - If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.
  - ii) External loans
    - External loans can be raised only if it is linked to the financing of an asset;
    - A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
    - The loan redemption period should not exceed the estimated life span of the asset. If this happens the interest payable

- on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the operating budget; and
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
- iii) Capital Replacement Reserve (CRR)
  - Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:
    - inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
    - additional amounts appropriated as contributions in each annual or adjustments budget.
  - Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash-backed;
  - If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
  - Transfers to the CRR must be budgeted for in the cash budget
- iv) Grant Funding
  - Non capital expenditure funded from grants:
    - must be budgeted for as part of the revenue budget;
    - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such;
    - Capital expenditure must be budgeted for in the capital budget;
  - Grant funding does not need to be cash backed but cash should be secured before spending can take place;
  - All unutilized grants received must be ring fenced and cash backed by means of an investment (no interest is allocated to unspent funds unless provided for in the service level agreement).

## 6. OPERATING BUDGET

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:
  - i) provision for accrued leave entitlements equal to 100% of the accrued leave;
  - ii) entitlement of officials as at 30 June of each financial year;
  - iii) provision for the impairment of debtors taking into account prior year, current year improvements and future improvement in debt collection percentages;
  - iv) provision for the obsolescence and deterioration of stock in accordance with its stores management policy;

- v) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;
  - vi) At least 06% of the operating budget component, excluding the budget for the roads function performed on behalf of the Western Cape Provincial Legislature, of each annual and adjustments budget shall be set aside for maintenance.
- b) The operating budget shall reflect the impact of the capital component on:
- depreciation charges;
  - repairs and maintenance expenses;
  - other operating expenses.

## **7. FUNDING OF CAPITAL AND OPERATING BUDGET**

- 1) An annual budget may only be funded from –
  - (a) realistically anticipated revenues to be collected;
  - (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
  - (c) borrowed funds, but only for the capital budget.
- 2) Revenue projections in the budget must be realistic, taking into account:
  - (a) projected revenue for the current year based on collection levels to date; and
  - (b) actual revenue collected in previous financial years.

## **8. UNSPENT FUNDS/ROLL OVER OF BUDGET**

- a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- b) If the under-spending of funds could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council, funds may be rolled over.
- c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds
- d) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May.
- e) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made at least 30 days (31 May each year) prior the end of that particular financial year.
- f) No unspent operating budget shall be rolled over to the next budget year except if the conditions of (b) apply.

## **9. BUDGET TRANSFERS AND VIREMENTS**

Budget transfers and Virements are dealt with in terms of the councils Budget Virement Policy.

## **10. ADJUSTMENT BUDGET**

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated;
- b) Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and reporting regulations section 23;
- c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent;
- d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council;
- e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor;
- f) An adjustments budget must contain all of the following:
  - i) an explanation of how the adjustments affect the approved annual budget;
  - ii) appropriate motivations for material adjustments; and
  - i) an explanation of the impact of any increased spending on the current and future annual budgets;
- g) Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve;
- h) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan;
- i) Unauthorised expenses may be authorised in an adjustments budget;
- j) With regard to unforeseen and unavoidable expenditure, the following apply (28(2)(c) & 29 of the MFMA):
  - i) the Executive mayor may authorise such expenses in an emergency or other exceptional circumstances in terms of Section 29 of the MFMA;
  - ii) the authorized amount may not exceed 4 % of the approved own revenue included in the annual budget in respect of such unforeseen and unavoidable expenses (29(2)(b) of the MFMA);

- ii) these expenses must be reported by the Executive mayor to the next Council meeting;
- iii) the expenses must be appropriated in an adjustments budget; and
- iv) Council must pass the adjustments budget within sixty days after the expenses were incurred.

## **11. BUDGET IMPLEMENTATION**

### **11.1 Monitoring**

- a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
  - funds are spent in accordance with the budget;
  - expenses are reduced if expected revenues are less than projected; and
  - revenues and expenses are properly monitored.
- b) The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.
- c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

### **11.2 Reporting**

#### **11.2.1 Monthly budget statements (Section 71 of the MFMA)**

- a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- i) actual revenues per source, compared with budgeted revenues;
- ii) actual expenses per vote, compared with budgeted expenses;
- iii) actual capital expenditure per vote, compared with budgeted expenses;
- iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- v) the amount of allocations received, compared with the budgeted amount;

- vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
  - vii) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
  - viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
  - ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- b) The report to the National Treasury must be both in electronic format and in a signed written document.

### **11.2.2 Quarterly Reports (Section 52(d) of the MFMA)**

The Executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

### **11.2.3 Mid-year budget and performance assessment (Section 72 of the MFMA)**

- a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan;
- b) The Accounting officer must then submit a report on such assessment to the Executive Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year; and
- c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

## **12. CONCLUSION**

The Director Corporate Services must place on the municipality's official website the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan;
- the annual report;
- all performance agreements;
- all service delivery agreements;



- all long-term borrowing contracts;
- all quarterly and mid-year reports submitted to Council on the implementation of the budget and the financial state of affairs of the municipality.

