

Umsobomvu Municipality
Continuously Rising

BUDGET RELATED POLICIES: 2018/19 REVISION

BUDGET RELATED POLICIES

1. Asset Management Policy.
2. Bad Debt Write-off Policy.
3. Cash and Investment Policy
4. Customer Care, Credit Control and Debt Collection.
5. Indigent Policy.
6. MFMA Delegations.
7. Property Rates Policy.
8. Rates Policy
9. Supply Chain Management Policy.
10. Tariff Policy.
11. Travelling and Subsistence Allowance Policy.
12. Unauthorised, Irregular, Fruitless and Wasteful Expenditure.
13. Virement Policy



ASSET MANAGEMENT POLICY

UMSOBOMVU MUNICIPALITY
ASSET MANAGEMENT POLICY

1. INTRODUCTION

1.1 AIM OF THIS DOCUMENT

This document is provided to assist management and employees of UMSOBOMVU Local Municipality to implement and maintain consistent, effective and efficient ASSET MANAGEMENT principles.

The objective of this document is aimed at:

- Safeguarding the fixed assets of the UMSOBOMVU Local Municipality and to ensure effective use of existing resources.
- Emphasizing a culture of accountability over fixed assets owned by the UMSOBOMVU Local Municipality.
- Ensuring that effective controls are communicated to management and staff through clear and comprehensive written documentation.
- Providing a formal set of procedures to ensure that the UMSOBOMVU Local Municipality's fixed asset policies are achieved and are in compliance with the Municipal Finance Management Act (MFMA), National Treasury, Generally Recognised Accounting Practice (GRAP) and Accounting Standards Board (ASB) directions, instructions, principals and guidelines.

This manual supersedes/replaces all previously issued ASSET MANAGEMENT policies and/or procedures and/or instructions and should be read together with the provisions of Section 63 of the MFMA.

1.2 DEPARTURES FROM FORMAL POLICIES AND PROCEDURES

1.2.1 Any departures from the approved policies and procedures stated in this manual will require the prior written approval of the Chief Financial Officer.

1.2.2 Failure to comply with the prescribed policies and procedures will result in the institution of disciplinary procedures in terms of the Human Resource policies & procedures.

1.3 CHANGES TO ASSET MANAGEMENT POLICY AND/OR PROCEDURE MANUALS

1.3.1 All changes made to either the ASSET MANAGEMENT Policies or Procedures must be processed timeously and communicated via the proper channels of communication to all asset holders.

- 1.3.2** The following steps will apply for the control and management of changes to the ASSET MANAGEMENT Policy or Procedure Manuals:
- 1.3.2.1** The Chief Financial Officer is appointed as custodian of the Fixed Asset Register and ASSET MANAGEMENT Policy and Procedure manuals. The custodian is ultimately responsible for the control of the ASSET MANAGEMENT Policies and Procedures.
 - 1.3.2.2** All recommended changes or requests for changes are recorded on the change request form that will detail the suggested changes together with reasons for such change.
 - 1.3.2.3** The change request form is authorized by the relevant Departmental Head. The authorized change request form is forwarded to the custodian.
 - 1.3.2.4** The custodian circulates the change request between Heads of Departments for comments for a defined period. All comments are forwarded back to the custodian.
 - 1.3.2.5** The Chief Financial Officer submits the proposal to the Municipal Manager for Council's approval in the case of changes to the ASSET MANAGEMENT Policies or final approval in the case of changes to the ASSET MANAGEMENT Procedures.
 - 1.3.2.6** Changes in policies will be effective within one week after final approval has been received.
 - 1.3.2.7** The custodian is ultimately responsible for applying the changes and finalizing the ASSET MANAGEMENT Policy and Procedure manuals. The new document is made available in its entirety within one week after final approval has been received with clear indications of the changes.
 - 1.3.2.8** It remains the responsibility of all employees to keep themselves familiarized with the ASSET MANAGEMENT Policies and Procedures.
 - 1.3.2.9** Failure to apply the changes in the ASSET MANAGEMENT Policies or Procedures from the date of implementation will result in the institution of disciplinary procedures in terms of the human resource policies & procedures.

DELEGATION OF AUTHORITY

- 1.3.3** Full responsibility for internal control over fixed assets within a department rests with the relevant Head of Department, who must ensure that appropriate and adequate arrangements exist to safeguard all fixed assets and that the Asset Management Policies and Procedures are complied with and that the records are maintained in as complete and accurate form as possible.
- 1.3.4** Head(s) of Department(s) must ensure that all movements of fixed assets or other related changes, i.e. purchases, transfers, disposals, losses, impairments, upgrades, be communicated to the custodian in the manner prescribed in the ASSET MANAGEMENT Procedure manual.

- 1.3.5** Head(s) of Department(s) must ensure that the inventory listing of fixed assets under control of asset holders is a true reflection of the assets under the asset holder's control. Regular independent checks should be conducted by the Head(s) of Department(s) or their delegates. Assistance and advice on internal control procedures can be obtained from the custodian of the fixed asset register or the appointed representative.

1.5 AMENDMENTS TO THE ASSET POLICY AND PROCEDURES GUIDELINES

1.5.1 DOCUMENT VERSION CONTROL

VERSION	AUTHOR	DATE	PAGES / SECTIONS AFFECTED	REMARKS
1.0		2012/31/05	All	<u>Approved per Council Resolution 85/05/2012 dated 31 May 2012</u>

1.6 APPROVAL

The **ASSET MANAGEMENT POLICY AND PROCEDURES** document has been approved by the Council and will take effect as from **1 June 2012**, subject to future reviews.

POLICY INDEX

CHAPTER	CONTENTS	PAGE
1	Definitions	6
2	Responsibilities	7
3	Format of the Fixed Asset Register	8
4	Classification of Fixed assets	9
5	Investment Property	9
6	Fixed assets Treated as Inventory	10
7	Recognition of Heritage Assets	10
8	Recognition of Donated Assets	10
9	Safekeeping of Assets	10
10	Identification of Fixed Assets	11
11	Losses, theft, Destruction or Impairment of Assets	11
12	Capitalization Threshold	11
13	Capitalization Criteria: Intangible Assets	11
14	Capitalization Criteria: Reinstatement, Maintenance & Other Expenses	12
15	Maintenance Plans	12
16	Deferred Maintenance	12
17	General Maintenance of Fixed Assets	13
18	Depreciation of Fixed Assets	13
19	Rate of Depreciation	13
20	Method of depreciation	14
21	Amendment of Asset Lives and Diminution in the Value of Fixed Assets	14
22	Alternative methods of Depreciation in Specific Instances	14

CHAPTER	CONTENTS	PAGE
23	Creation of Non-distributable Reserves for Future Depreciation	15
24	Carrying Values of Fixed Assets	15
25	Revaluation of Fixed Assets	15
26	Verification of Fixed Assets	16
27	Alienation of Fixed Assets	16
28	Other Write-offs of Fixed Assets	17
29	Replacement Norms	18
30	Insurance of Fixed Assets	18
31	Biological assets	18
32	Asset Categories & Expected Useful Life Schedule	20
33	Extract from MFMA	24
	Annexures	25

CHAPTER 1: DEFINITIONS

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by the Municipality for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, under the control of the Municipality, and from which the Municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognized as a fixed asset, an asset must also meet the criteria referred to in Chapters 13, 14 and 15 below.

An asset held under a finance lease, shall be recognized as a fixed asset, as the Municipality has control over such an asset even though it does not own the asset.

The definitions regarding fixed assets as prescribed in the applicable accounting standards are the accepted definitions and are to be applied in the management, control and reporting on fixed assets.

Other definitions:

Carrying Amount	The amount at which an asset is included in the Annual Financial Statements (Statement of financial position) after deducting any accumulated depreciation and any impairment losses thereon.
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and/or construction.
Fair Value	The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
GRAP	Standards of Generally Recognized Accounting Practice
IAS	International Accounting Standards
MFMA	Refers to the Local Government: Municipal Finance Management Act
CFO	Chief Financial Officer
MM	Municipal Manager
HOD	Head(s) of Department(s)
UMSOBOMVU Municipality	the Municipality
PPE	Property, Plant & Equipment

CHAPTER 2: RESPONSIBILITIES

Municipal Manager

As accounting officer of the Municipality, the MM shall be the principal custodian of all the Municipality's fixed assets, and shall be responsible for ensuring that the ASSET MANAGEMENT Policy and Procedures are scrupulously applied and adhered to.

Chief Financial Officer

The CFO shall be the responsible person of the fixed asset register of the Municipality, and shall ensure that a complete, accurate and up-to-date electronic FAR is maintained.

No amendments, deletions or additions to the FAR shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

Verify assets in possession of the Municipality annually during the course of the financial year.

Report all losses, where applicable, to the Council.

Head of Department: Human Resources

The HOD Human Resources shall ensure that no monies are paid out on termination of services without receiving the asset resignation form, signed off by the relevant Head(s) of Department(s).

All Head(s) of Department(s) / End Users

HOD shall ensure:

- That all officials adhere to the approved Asset Management Policies and Procedures.
- That an employee with delegated authority has been nominated to implement and maintain physical control over assets in his/her Department. The CFO has to be notified who this responsible person is. Although authority has been delegated, the responsibility to ensure adequate physical control over each asset remains with the HOD.
- That the assets are properly maintained in accordance with their respective asset maintenance policies.
- That assets and/or inventory items are not used for private gain.
- That all assets and attractive items are reflected in the FAR.
- That the CFO is notified of any changes in the status of an asset under the HOD's control. This must be done in the prescribed form(s) and timetable(s).
- That on termination of services by an official, all relevant assets (portable and attractive items) are collected and an asset resignation form is been issued.

CHAPTER 3: FORMAT OF FIXED ASSET REGISTER

The FAR shall be maintained in the format determined by the CFO, which format shall comply with the requirements of GRAP and any other accounting requirements which may be prescribed.

The FAR shall reflect (as minimum) the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use

- the location of the asset
- the department(s) or vote(s) within which the assets will be used
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- where applicable, the identification number, as determined in compliance with Chapter 10 below
- the original cost, or the revalued amount determined in compliance with Chapter 25 below, or the fair value or current placement cost (CRC) if no costs are available
- the (last) revaluation date of the fixed assets subject to revaluation
- the revalued value of such fixed assets
- who did the (last) revaluation
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- the source of financing
- the current insurance arrangements
- whether the asset is required to perform basic municipal services. (Not specified under GRAP 17)
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

All HODs under whose control any fixed asset falls shall provide the CFO in writing with any information required to compile the FAR, and shall advise the CFO in writing, within 24 hours of any material change which may occur in respect of such information.

A fixed Asset shall be capitalized, that is, recorded in the FAR, as soon as it is acquired. All necessary approved orders and invoices must be kept safe in an “additions file”. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalized and unbundled (infrastructure) as per GRAP 17 as a fixed asset.

A fixed asset shall remain in the FAR for as long as it is in physical existence or disposed. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

CHAPTER 4: CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the CFO shall ensure that all fixed assets are classified under the following headings in the FAR and HOD shall in writing provide the CFO with such information or assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

- land (developed and undeveloped)
- buildings (dwellings and non residential dwellings)
- infrastructure assets (assets which are part of a network of similar assets)

- capital / infrastructure work in progress
- other machinery and equipment, computer-, office equipment, furniture and fittings
- Motor Vehicles
- heritage assets (cultural significant resources)
- biological or cultivated assets
- investment property
- intangible assets

The CFO shall adhere to the classifications indicated in the annexure on fixed asset lives (see Chapter 32 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

CHAPTER 5: INVESTMENT PROPERTY

Investment assets shall be accounted for in terms of GRAP 16 & IAS 40 and shall not be classified as PPE for purposes of preparing the Municipality's statement of financial position.

Investment assets shall comprise land or buildings (or parts of buildings) or both held by the Municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the FAR in the same manner as other fixed assets, but a separate section of the FAR shall be maintained for this purpose.

Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

An expert valuator shall be engaged by the municipality to undertake such valuations.

If the Council resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment asset.

CHAPTER 6: FIXED ASSETS TREATED AS INVENTORY

Any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either PPE or Investment Property in the Municipality's statement of position.

Such inventories shall, however, be recorded in the FAR in the same manner as other fixed assets, but a separate section of the FAR shall be maintained for this purpose.

CHAPTER 7: RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

If no original costs or fair values are available in the case of one or more or all heritage assets, the CFO may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the FAR without an indication of the costs or fair value concerned.

For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

CHAPTER 8: RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the FAR at its fair value, as determined by the CFO.

CHAPTER 9: SAFEKEEPING OF ASSETS

Every HOD shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every HOD shall adhere to any written directives issued by the CFO to the department in question, or generally to all departments, in regard to the control of or safekeeping of the Municipality's fixed assets.

CHAPTER 10: IDENTIFICATION OF FIXED ASSETS

The MM shall ensure that the Municipality maintains a fixed asset identification system which shall be operated in conjunction with its electronic FAR.

The identification system shall be determined by the MM, acting in consultation with the CFO and other HOD, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the Municipality's audit report(s), and shall be decided upon within the context of the Municipality's budgetary and human resources.

Every HOD shall ensure that the asset identification system approved for the Municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

CHAPTER 11: PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every HOD shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the CFO, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

CHAPTER 12: CAPITALISATION CRITERIA: MATERIAL VALUE

Every HOD must ensure that any item with an estimated useful life of more than one year, shall be reported to the CFO who shall decide whether the portability and attractiveness of the item by its very nature, render it to theft or misplacing and whether it is sufficiently portable to allow removal and if the need exists for the item to be controlled and therefore be included in the FAR as a non-capital item and identified and controlled in the manner as prescribed in Chapter 11. Every HOD shall ensure that the existence of items referred to in this Chapter and which the CFO decided not to include in the Fixed Asset Register shall be recorded on an asset stock sheet controlled by himself or a person delegated to the task, and verified from time to time, and at least once in every financial year, and any amendments which are made to such asset stock sheet pursuant to such stock verifications shall be retained for audit purposes.

CHAPTER 13: CAPITALISATION CRITERIA: INTANGIBLE ITEMS

All intangibles assets must be recognized and included in the FAR. The following servers as examples of intangible assets: computer software, servitudes, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, fishing licenses, import quotas, franchises, customer or supplier relationships, customer loyalty, market share and marketing rights.

CHAPTER 14: CAPITALIZATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalized.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalized, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalized as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

CHAPTER 15: MAINTENANCE PLANS

Every HOD shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council for approval.

If so directed by the MM, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The HOD controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan

has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned. These plans must also form part of the IDP & SDBIP.

CHAPTER 16: DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the CFO shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the HOD controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

CHAPTER 17: GENERAL MAINTENANCE OF FIXED ASSETS

Every HOD shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

CHAPTER 18: DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated **annually and estimated** monthly.

Each HOD, acting in consultation with the CFO, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortization of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

CHAPTER 19: RATE OF DEPRECIATION

The CFO shall assign a useful operating life to each depreciable asset recorded on the Municipality's FAR. In determining such a useful life the CFO shall adhere to the useful lives set out in the annexure to this document (see Chapter 33 below).

In the case of a fixed asset which is not listed in this annexure, the CFO shall determine a useful operating life, if necessary in consultation with the HOD who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

CHAPTER 20: METHOD OF DEPRECIATION

Except in those cases specifically identified in Chapter 23 below, the CFO shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question. Please see attached our methodology on how the depreciation is calculated.

CHAPTER 21: AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the CFO may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the CFO shall inform the Council of such amendment.

The CFO shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset should be derecognized in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it should be derecognized in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the FAR.

In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

CHAPTER 22:

CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

The CFO shall ensure that in respect of all fixed assets financed from the Municipality's Asset Financing Reserve, or from Grants or Subsidies or Contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the Municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

The CFO shall thereafter ensure that in the case of depreciable fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each month from such non-distributable reserve to the Municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the CFO shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

[Please Note the following:

As per GRAP, we can't show Capital Replacement Reserve (CRR) separate in the Annual financial Statement as the forms part of the Accumulated surplus in the Statement of Financial Position. If the CFO and management decide to still use this as a management tool, management must indicate to us what was the assets that was bought be using the CRR and also supply the carry values of these asset items.

We suggest that this chapter be taken out of the Asset Management Policy as this does not form part of GRAP accounting].

CHAPTER 23: CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be carried in the FAR, and appropriately recorded in the annual financial statements, at their original cost or fair value or current replacement cost less any accumulated depreciation.

The only exceptions to this rule shall be re-valued assets (see Chapter 25 below) and Heritage Assets in respect of which no value is recorded in the fixed asset register (see Chapter 7 above).

CHAPTER 24: REVALUATION OF FIXED ASSETS

All land and buildings recorded in the Municipality's FAR shall be re-valued with the adoption by the municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

The CFO shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the CFO is satisfied that such value reflects the fair value of the fixed asset concerned.

The CFO shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its re-valued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

The CFO shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month

from the revaluation reserve to the Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see Chapter 23 above).

If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the CFO shall adjust the carrying value of such asset by apply impairment of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional impairment expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

Re-valued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their re-valued amount, less accumulated depreciation (in the case of buildings).

CHAPTER 25: VERIFICATION OF FIXED ASSETS

The CFO shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the Municipality.

The results of such verification will be reported to every HOD who shall promptly and fully report in writing to the CFO in the format determined by the CFO on all the fixed assets not verified during such fixed asset verification.

Asset verifications shall be undertaken and completed as closely as possible to the end of each financial year and the resultant report shall be submitted to the MM / Council by not later than 31 July of the year in question.

CHAPTER 26: ALIENATION OF FIXED ASSETS

In compliance with the principles and prescriptions of the MFMA, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the Municipality's supply chain management policy.

Every HOD shall report in writing to the CFO on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such HOD wishes to alienate by public auction or public tender. The CFO shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the MM recommending the process of alienation to be adopted.

The Council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R1,000.00 (one thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see Chapter 33 below).

Once the fixed assets are alienated, the CFO shall arrange for the appropriate updating of the FAR.

If the proceeds of the alienation are less than the carrying value recorded in the FAR, such difference shall be recognised as a loss in the income statement of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than

the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the department or vote concerned.

All gains realised on the alienation of fixed assets shall be appropriated annually to the Municipality's Asset Financing Reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

CHAPTER 27: OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset, even though fully depreciated shall be written off only on the recommendation of the HOD controlling or using the asset concerned, and with the approval of the Council.

Every HOD shall report to the CFO on 31 October and 30 April of each financial year on any fixed assets which such HOD wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the MM and/or Council (depending on the carrying value) on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the CFO shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also Chapter 21).

CHAPTER 28: REPLACEMENT NORMS

Every HOD shall report to the CFO on 31 December of each financial year on any fixed assets which such HOD wishes to replace, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Council on the fixed assets to be written off.

The only reasons for replacement off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question. This Chapter provides for the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items as well as for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain or have become outdated in terms of available technology.

CHAPTER 29: INSURANCE OF FIXED ASSETS

The MM shall ensure that all movable fixed assets are insured at least against fire and theft, and that all Municipal Buildings are insured at least against fire and allied perils.

The CFO shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the HOD concerned.

The MM shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

The CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the Municipality's self-insurance reserve.

CHAPTER 30: BIOLOGICAL ASSETS

Accounting for biological assets shall take place in accordance with the requirements of GRAP 101 & IAS 41.

The CFO, in consultation with the HOD concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised valuator in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the HOD concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the FAR or in a separate accounting record altogether and such details shall reflect the information which the CFO, in consultation with the HOD concerned and the internal auditor, deems necessary for accounting and control purposes.

The CFO shall annually insure the Municipality's biological assets, in consultation with the HOD concerned, provided the Council considers such insurance desirable and affordable.

CHAPTER 31: FIXED ASSET CATEGORIES & LIVES

Please see attached the amended EUL.

(In brackets the estimated useful life in years in each case).

LAND

Developed Land	(N/A)
Undeveloped Land	(N/A)

Umsobomvu Municipality
Policy & Procedures

BUILDINGS

Dwellings

Caravan Parks	(10)
Children's Homes	(30)
Homes for the Aged	(30)
Hostels	(30)
Mobile Homes	(10)
Places of Safety	(30)
Residences (personnel) including garages and parking	(30)
Recreational / (Holiday) accommodation	(30)

Non-Residential Dwellings

Bus Terminals	(30)
Bus Shelters	(15)
Civic Theatres	(30)
Clinic and Community Health Facilities	(30)
Community Centres and Public Entertainment Buildings	(30)
Driver and Testing Centres	(30)
Industrial Buildings	(30)
Laboratories	(30)
Museum and Art Galleries	(30)
Office Buildings (inclusive of air conditioning system)	(30)
Public Parking	(30)
Police Station and associated buildings	(30)
Railway and associated buildings	(30)
Stadiums	(30)
Taxi Ranks	(15)
Sport and Recreational facilities (fields, clubhouses, etc)	(15)
Non-Residential Perimeter Protection	(15)
Ablution / Public Facilities	(30)
Carports	(15)
Workshop / Stores	(30)
Market / Shops	(30)

INFRASTRUCTURE ASSETS

Electricity

Cooling towers	(30)
Mains	(20)
Meters Pre-Paid	(20)
Meters Credit	(25)
Electricity Supply / Reticulation	(30)
Transformers	(50)
Lines Underground	(45)
Lines Overhead	(30)
Cables	(45)
Substation Switchgear	(30)
Substation Equipment Outdoors	(30)

Substation Equipment GIS	(30)
Substation Equipment Indoors	(40)
Electrical Panels	(5)
Electrical Telemetry	(15)
Electricity Perimeter Protection	(15)
Structure for Electrical Purposes	(30)
Public Lighting	(10)

Roads

Bridges Vehicle Concrete	(80)
Bridges Vehicle Steel	(50)
Bridges Pedestrian Concrete	(80)
Bridges Pedestrian Steel	(50)
Bridges Railway Concrete	(80)
Bridges Railway Steel	(50)
Bridges Reinforced Retaining Walls Earth	(15)
Bridges Reinforced Retaining Walls Concrete	(30)
Bridges Expansion and Construction Joints	(20)
Storm Water Culverts Concrete	(60)
Storm Water Drains Earthworks	(100)
Storm Water Drains Concrete Lining	(50)
Storm Water Stop Banks	(50)
Storm Water Pipes	(50)
Roads Kerbs and Channels	(50)
Roads Municipal Tar Layer	(50)
Roads Municipal Tar Surface	(20)
Roads Municipal Concrete Layer	(50)
Roads Municipal Concrete Surface	(30)
Roads Municipal Gravel Surface	(10)
Roads National Tar Layer	(50)
Roads National Tar Surface	(20)
Roads National Concrete Layer	(50)
Roads National Concrete Surface	(30)
Roads National Gravel Surface	(10)

Roads – continued

Roads Provincial Tar Layer	(50)
Roads Provincial Tar Surface	(20)
Roads Provincial Concrete Layer	(50)
Roads Provincial Concrete Surface	(30)
Roads Provincial Gravel Surface	(10)
Roads Crash Barriers	(30)
Roads Retaining Walls	(60)
Roads Pedestrian Footpaths	(30)
Roads Street Lighting	(40)
Roads Traffic Islands	(50)
Roads Traffic Lights	(20)
Roads Traffic Signs	(15)
Roads Paved Layer	(50)
Roads Paved Surface	(10)

Water

Dams Structure Concrete	(100)
Dams Structure Earth	(50)
Dams Electrical & Mechanical	(40)
Water Meters	(20)
Stand Pipes	(20)
Water Metalwork (ladders, handrails, weirs)	(30)
Pump Stations Structure	(55)
Pump Stations Electrical	(40)
Pump Stations Mechanical	(40)
Pump Stations Perimeter Protection	(25)
Reservoirs Structure	(50)
Reservoirs Electrical	(40)
Reservoirs Mechanical	(40)
Reservoirs Perimeter Protection	(25)
Water Supply / Reticulation	(50)
Underground Chambers Valves	(25)
Underground Chambers Meters	(20)
Underground Chambers Transition	(15)
Underground Chambers Other	(10)
Water Purification Works Structure	(55)
Water Purification Works Electrical	(40)
Water Purification Works Mechanical	(40)
Water Purification Works Perimeter Protection	(25)
Water Purification Works Meters	(15)
Water Telemetry	(15)

Sewerage

Bulk Pipelines Rising Mains	(50)
Bulk Pipelines Gravity Mains	(50)
Sewer Pump Stations Structure	(55)
Sewer Pump Stations Electrical	(40)
Sewer Pump Stations Mechanical	(40)
Sewer Pump Stations Perimeter Protection	(25)
Sewer Pump Stations Metalwork	(30)
Sewers / Reticulation	(60)
Water Purification Works Structure	(55)
Water Purification Works Electrical	(40)
Water Purification Works Mechanical	(40)
Water Purification Works Perimeter Protection	(25)
Water Purification Works Meters	(15)

Solid Waste Disposal

Collection Vehicles	(10)
Collection Containers / Bins	(15)
Transfer Stations and Processing Facilities Structure	(55)
Transfer Stations and Processing Facilities Electrical	(40)
Transfer Stations and Processing Facilities Mechanical	(40)
Transfer Stations and Processing Facilities Perimeter Protection	(25)

Landfill Site Earthmoving and Compact Equipment	(15)
Landfill Site Preparation	(N/A)
Landfill Site Structure	(55)
Landfill Site Weighbridge	(40)
Landfill Site Perimeter Protection	(25)

Railways

Railway Power Supply Units	(30)
Railway Sidings	(30)
Railway Tracks	(20)
Railway Signalling System	(20)
Railway Shunting Yards	(30)
Railway Perimeter Protection	(25)

Cemeteries

Cemeteries	(30)
Cemeteries Perimeter Protection	(25)

OTHER MACHINERY AND EQUIPMENT

Machinery and Equipment

Audio-visual Equipment	(10)
Building Air Conditioning Systems	(5)
Cellular Phones (over R5, 000)	(2)
Cellular Routers	(3)
Domestic Equipment (non kitchen appliances)	(5)
Power Distribution Equipment (Generators / Compressors)	(7)
Emergency / Rescue Equipment	(10)
Farm / Agricultural Equipment	(15)
Fire Fighting Equipment	(5)
Gardening Equipment	(4)
Irrigation Equipment	(15)
Kitchen Appliances	(10)
Laboratory Equipment	(7)
Laundry Equipment and Industrial Sewing Machines	(15)
Learning / Training Support and Library Material	(10)
Machines for Metallurgy	(10)
Machines for Quarrying	(10)
Machines for Textile Production	(15)
Medical and Allied Equipment	(10)
Musical Instruments	(15)
Photographic Equipment	(7)
Pumps, Plumbing, Purification and Sanitation Equipment	(10)
Radio Equipment	(7)
Road Construction and Maintenance Machinery and Equipment	(15)
Saddles and other Tack	(7)
Security Equipment / Systems – Fixed	(5)
Security Equipment / Systems – Moveable	(5)
Sport and Recreational Equipment	(10)
Survey Equipment	(7)

Telecommunications Equipment	(5)
Tents, Flags and Accessories	(10)
Woodworking Machinery and Equipment	(10)
Workshop Equipment and loose tools – Fixed	(10)
Workshop Equipment and loose tools – Movables	(5)
Furniture and Office Equipment	
Advertising Boards	(5)
Air Conditioners (individual fixed and portable)	(5)
Cutlery and Crockery	(10)
Domestic and Hostel furniture	(15)
Linen and Soft Furnishing	(10)
Office Equipment (including fax machines)	(7)
Office Furniture	(7)
Paintings, Sculptures and Ornaments	(10)
Computer Equipment	
Computer Hardware including operating systems	(5)
Computer Networks	(10)
Transport Assets	
Busses	(15)
Cycles	(7)
Emergency Vehicles	(10)
Mobile Clinic	(15)
Motor Vehicles (Sedan, Hatch and LDV)	(7)
Railway Rolling Stock	(15)
Trailers and accessories	(10)
Trucks	(7)
Watercraft	(10)
HERITAGE ASSETS	
Land of Historic or Specific Significance	(N/A)
Culturally Significant Building	(N/A)
National Monuments	(N/A)
National Parks / Reserves	(N/A)
Paintings	(N/A)
Sculptures	(N/A)
Municipal Jewelry	(N/A)
Works of Art	(N/A)
Other antiques or collections	(N/A)

BIOLOGICAL OR CULTIVATED ASSETS

INTANGIBLE ASSETS

CHAPTER 32: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

The Municipality may not alienate any capital asset required to provide a minimum level of basic municipal services, unless the provisions of the Act is followed.

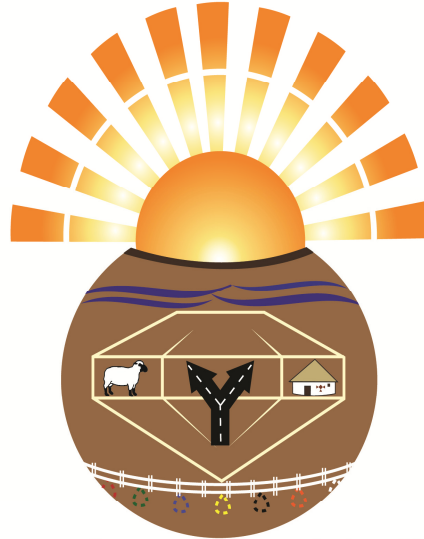
The Municipality may alienate any other capital asset, but provided

- the Council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- The Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

ANNEXURES

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	../../2018	dd	.. May 2018



Umsobomvu Municipality
Continuously Rising

BAD DEBT WRITE-OFF POLICY

1. Preamble

- 1.1 Council accepts and acknowledges its Constitutional duties towards the community of the Municipality.
- 1.2 Council further acknowledges that in order to deliver services in a sustainable manner, the said delivery of service will have to be conducted within Councils financial and administrative capacity.
- 1.3 Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

2. Debt associated with ownership of property (Rates accounts).

Debt raised by Council for the services rendered to registered owners of the property/land - Property Rates will be written-off when the property is disposed of in the liquidation process and if the proceeds do not cover the outstanding debt, the balance can then be written-off as irrecoverable, and for owners who are registered indigent consumers iro the balance when the registration is approved.

3. Metered Services Debt.

Debt owed to Council due to consumed metered services, i.e. Water and Electricity consumption and all other services levied monthly, will be regarded as irrecoverable in the following instances:

- 3.1 Where the consumer is untraceable;
- 3.2 If the debt has prescribed;
- 3.3 Insolvent estates;
- 3.4 Where the consumer passed away.
- 3.5 Where the consumer is an approved registered indigent iro debt before the registration.

4. Sundry Debt.

Debt owed to Council arising from auxiliary services rendered by Council will be regarded as irrecoverable in the following instances:

- 4.1 Where the debtor is untraceable;
- 4.2 If the debt has prescribed;
- 4.3 Where the consumer passed away

5. Steps to be taken before writing-off debt.

Before any debt can be written-off, all the applicable actions as contained in the approved Credit and Debt collection policy of Council should have been executed/implemented. However, there will be special cases where the Credit and Debt collection policy will not be implemented and replaced by other available administrative procedures.

6. Special cases.

The allocation of stands and now recently RDP houses by the Directorate Planning and Development, has in some instances resulted in debt raised for the property in the name of the person allocated the house, but who never took occupation due to either one of the following reasons:

- 6.1 Occupation taken up by illegal occupants;
- 6.2 Failure to inform the rightful owner about the allocation;
- 6.3 Alteration of allocation not effected in Council records;
In the above-mentioned cases there will never be a need to implement the Credit and Debt collection policy; therefore write-off should take place immediately when the Directorate involved in the allocation of property issues a memorandum that confirms the above. Furthermore the write-off should be effected and later reported to Council for notification purposes.

7. Amounts above R1 000.00.

The writing off of individual debt above one thousand rand (R1 000.00) will be effected only after the approval of Council, and the writing off of individual debt

amounting to one thousand rand (R1 000.00) and below will be effected after the approval of both the Municipal Manager and Chief Financial Officer.

8. Bad Debts Recovered.

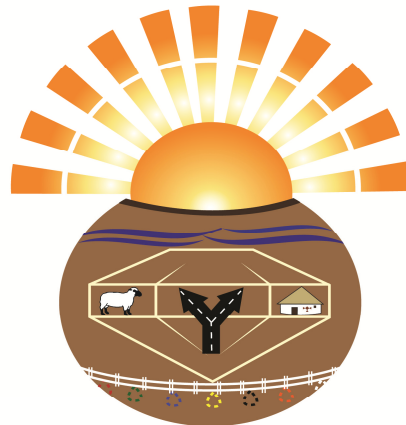
The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

9. Interest.

Interest levied on accounts as a result of an error from Council's side will be written-off.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	.././2018	dd	.. May 2018



Umsobomvu Municipality
Continuously Rising

CASH AND INVESTMENT POLICY

INDEX

1. SCOPE OF POLICY	3
2. OBJECTIVES	3
3. LEGAL FRAMEWORK	3
4. PRESCRIBED FRAMEWORK AND APPROVED INSTITUTIONS	4
5. SURPLUS CASH	4
6. CASH MANAGEMENT	5
6.1 Cash Management Programme	5
6.2 Bank Accounts	5
6.3 Revenue collection	7
6.4 Payment to Creditors	7
6.5 Petty Cash	8
6.6 Inventory	8
7. PROCEDURES FOR INVITATION AND SELECTING OF BIDS	8
7.1 Roles and responsibilities	8
8. INVESTMENT PRINCIPLES	9
8.1 Limiting exposure	9
8.2 Commission Disclaimer	10
8.3 Investment Term	10
8.4 Investment Placement	11
8.5 Interest on investments	11
8.6 Control over investments	12
9. RAISING OF DEBT	12
10. RISK MANAGEMENT	13
11. REPORTING AND MONITORING	14
12. CONTRA ALLOCATION OF INTEREST EARNED	15
13. REVIEW	15

1. SCOPE OF POLICY

Municipal investment practice is guided by several influencing sources, including legislation, IMFO recommendations and local municipal policy.

Investment of surplus cash is subject to certain restrictions, such as investments being allowed only at approved banking institutions, the maximum amount that may be held at any one such institution, the term of said investment, the method of placement and the payment of commission for placement of an investment.

This policy will aim to outline the above mention procedures concerning investments at the Umsobomvu Municipality.

2. OBJECTIVES

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently. The council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

3. LEGAL FRAMEWORK

This policy will be implemented within the legal framework of the constitution and relevant national legislation outlined hereunder.

- *Constitution of the RSA, (Act 108 of 1996)*
- *The Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000)*
- *The Local Government Municipal Finance Management Act 2003 (Act 56 of 2003)*

A paraphrase of the provisions of the Municipal Finance Management Act is attached as Annexure I to this policy.

4. PRESCRIBED FRAMEWORK AND APPROVED INSTITUTIONS

4.1 Prescribed framework

The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must—

- (a) conduct their cash management and investments; and
- (b) invest money not immediately required.

4.2 List of approved institutions

Those approved for the placement of municipal investments are:

- ABSA
- FIRST RAND
- NEDCOR GROUP
- STANDARD BANK

The municipal council may place further restrictions on approved institutions, but will not place funds at institutions excluded from those approved. Further restrictions will include the prerequisite that an approved institution must have an established operation and be commercially active in the municipal district.

5. SURPLUS CASH

Surplus cash will be defined as the excess funds available to a municipality, which are not required to meet short-term obligations, and which safely may be withdrawn from current cash reserves without jeopardising the municipality's daily operational capability.

Investment of surplus cash presupposes that cash is transferred from the current account to an investment account, for periods of between 30 to 120 days. No investment will be held for more than 365 days without conforming to certain public notification procedures. No investment with a tenure exceeding twelve months shall be made without the prior approval of the accounting officer.

6. CASH MANAGEMENT

6.1 *Cash Management Programme*

The chief financial officer shall:

- prepare an annual estimate of the municipality's cash flows divided into calendar months, and
- shall update this estimate on a weekly basis

The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred.

Managers of departments shall in this regard furnish the chief financial officer with all such information as is required, timely and in the format indicated. The chief financial officer shall report to the Council at every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.

The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned. Each draft annual budget, when table, will be accompanied by:

- projection of cash flows for the budget year by revenue source, divided in to calendar months
- details of municipality's investments.

These documents will be made public and comments will be invited from the community.

6.2 *Bank Accounts*

The Accounting Officer is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer. The Accounting Officer and chief financial officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The Accounting Officer, in consultation with the chief financial officer, is authorised

to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. All payments other than petty cash disbursements must be made through the municipality's bank account(s). The Accounting Officer shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following:

- the administration of the external finance fund and
- of the asset financing reserve (if these accounts are legally permissible).

One or more separate accounts shall also be maintained for the following:

- capital receipts in the form of grants, donations or contributions from whatever source;
- trust funds; and
- the municipality's self-insurance reserve (if legally permissible).

In determining the number of additional accounts to be maintained, the Accounting Officer, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

The Accounting Officer shall invite bids for the placing of the municipality's bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such bids may be invited at any earlier stage, if the Accounting Officer, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, as the case may be, agrees to the invitation of such bids.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General. A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that

investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

6.3 *Revenue collection*

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis.

The respective responsibilities of the chief financial officer and other heads of departments in this regard will be defined in a code of financial practice approved by the accounting officer in consultation with the chief financial officer.

The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

6.4 *Payment to Creditors*

The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the chief financial officer before any payment is made.

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the chief financial officer before any payment is made.

Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so.

The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

6.5 Petty Cash

The CFO will determine the maximum amount and the nature of the petty cash disbursements, as well as manage allocation of all petty cash floats. All payments other than petty cash disbursements will be made through the municipality's bank account.

6.6 Inventory

Effective stores (inventory) administration is an important facet of cash management. Such a policy will obviate over-investment in inventory and guard against proliferation of sub-stores as this can lead to wastage due to, redundancy, loss, theft, impairment and obsolescence.

7. PROCEDURES FOR INVITATION AND SELECTING OF BIDS

The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the Accounting Officer as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance and Treasury.

In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with Accounting Officer, as the case may be, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties. Any gift received by any employee of the municipality should be declared to council.

The Municipality is currently operating in accordance with the above-mentioned guidelines and investment periods are normally limited to 120 days. Written quotations are obtained from the approved institutions on a monthly basis and funds are invested at the institution quoting the highest interest rate. An investment account is held at each of these institutions in order to earn the highest possible interest rate. At the end of each investment term, the balance of the investment account is evaluated and any additional funds are included in the amount re-invested.

7.1 Roles and responsibilities

Accountability and transparency in the investment management process are the specific responsibility of the financial management function. No external investment managers will be used by the municipality. The person responsible for municipal investments will do so in a manner as if the investment was his own and he/ she will be a person of prudence, discretion and intelligence.

Before making any call or fixed deposits, the chief financial officer or official delegated by him/her, shall obtain quotations from at least three financial institutions. Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth). Details of the proposed investment will be submitted to the CFO (if above mentioned task was delegated to an official) and Accounting Officer for approval. Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means). Any monies paid over to the investing institution in terms of the agreed investment shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

8. INVESTMENT PRINCIPLES

8.1 *Limiting exposure*

Risk management principles advise investors to spread their risk in a reasonable manner. Limited to approve institutions or instruments means that risk is already reduced to those perceived to be the most stable at that time. Council shall not place investments in excess of a specified limit determined by council, which may be varied from time to time, at any one approved banking institution, unless such excess be authorised by the Accounting Officer, having due regard to the circumstances, and limiting the duration of such excess to a maximum of 14 (fourteen) days. Investment limits will be guided by the amounts of surplus cash available for investment, the *risk to cash demand profile* of the municipality, and the perceived risk-to-return ratio in the local investment market.

Risk management will also take into account the fact that comparative rates of return and investment cycles may combine to cause limits to be exceeded for short periods, with justifiable reason. Surplus cash may be received shortly before an existing investment matures and the interest rate offered by that bank may be significantly more favourable than other banks in the same market. Exceeding the investment limit will be managed within acceptable parameters, such as a maximum excess quantum (amount or percentage), a maximum time period and a minimum interest rate differential.

8.2 Commission Disclaimer

All investments made on the basis of placement certificates will verify the amount, term, interest rate, interest due, maturity date and method of payment of interest.

Certificates will individually state that no commission has been paid to any party for the placement of the investment with that institution. Where individual certificates do not meet this requirement a general statement to that effect from the relevant institution will be obtained.

Any official or person connected with the municipality who receives a commission for placement of investments with an institution will be guilty of misconduct and be liable to prosecution.

8.3 Investment Term

Investments will generally be of a short-term nature, varying between 30 and 120 days. The best rates will be obtained in this way. Cash flow and liquidity positions will be managed by packaging investments in smaller amounts and maturity dates will be linked to operational peak periods.

Lower interest rates received for medium term investment will be justified by the nature of the investment for example when held as contra security by the bank for other guarantees (e.g. housing loan security) or when held as cash backing for a specific fund, such as the personnel leave payment reserve.

From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

8.4 Investment Placement

Investments will be placed on the basis of once-off quotations of money market rates at the time of placing surplus funds.

Each locally approved banking institution eligible for such investment trade will be contacted telephonically and asked to quote their current treasury rates for the relevant amount and term of placement. Banks will be required to respond on such quotes within a given time to enable the placement to be done by midday.

Surplus funds will be placed depending on the banks' responses and quoted rates, without any attempt to trade one bank off against another in order to secure better interest rates.

The investment advice reflecting all relevant details will be compiled and submitted to the CFO and the Accounting Officer for authorisation and execution

8.4.1 Types of investments:

The Umsobomvu Municipality may use different types of investments to ensure that the investment will be of optimal benefit to the municipality either long-term or short term. In such cases the chief financial officer will be guided by the best rates of interest pertaining to the specific type of investment and to the best and most secure instrument available at the time.

The following investment types may be utilised:

- Call & Fixed Deposits
- Money market
- Property
- Capital projects
- Municipal bonds

8.5 Interest on investments

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's current account as ordinary operating revenues, and may thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made. Council, when making the

investment shall inform the institution of the manner in which accrued interest is to be paid. All interest earned on Council investments shall be credited to Council's current account.

Accrued interest on active investments shall, unless otherwise specified by the Accounting Officer, be paid on the last working day of each month. Closing interest shall be paid with the maturing capital on the expiry date.

In the case of the external finance fund, the chief financial officer may reduce the amount which must annually be invested to redeem any particular loan by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account and re-appropriated to the asset financing reserve.

8.6 *Control over investments*

The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality's bankers.

9. RAISING OF DEBT

The municipal manager is responsible for the raising of debt, but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the municipal manager. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the council.

Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates

prepared by the chief financial officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

10. RISK MANAGEMENT

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned.

This policy will aim to protect against the following risks:

- Fraudulent transactions
- Mismanagement of cash, investments and inventory
- Non-performance because of inadequate cash flows
- Reputational damage caused by late, incomplete or non-payment of creditors

No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions.

No investment will be made for speculation purposes but exclusively for sound investment. Investments will be made with primary regard to the liquidity needs of the municipality and to the probable income derived from the investment. Risk control will include the following:

- The municipality will liquidate an investment that no longer has the minimum acceptable rating as specified in this policy.
- The municipality will ensure that all investments are with credit-worthy institutions.
- The municipality will take all reasonable steps to diversify its investment portfolio across institutions, types and maturities.
- All investment will be made in the Municipalities name and the municipality is not allowed to borrow money for investment purposes.
- Accurate , complete and up-to-date cash management programme will ensure that:
 - Fraudulent activities in payments and receipts are promptly detected
 - Emergence of cash flow problems timeously identified

- Proper budgetary management is possible
- Allows assessment of effectiveness of credit control and revenue collection
- Indicates whether other organs of state and outside institutions are properly meeting their obligations to the municipality

11. REPORTING AND MONITORING

The Municipal Finance Management Act, 2003 prescribes that all investments made by municipalities be subject to prescriptions to be set by National Treasury, and that all investments so made are to be notified to National Treasury by both the investing municipality and the accepting institution.

Therefore internal documentation prescribed by treasury control will be prepared for each individual investment, reflecting the relevant investment details and the register entry number. These documents will be signed by the CFO and the Accounting Officer as authorisation for the investment. A copy will be placed on the relevant file and National Treasury will be notified of the investment within 10 working days. The original document will be filed in the investments register and matched with the institution's certificate. A copy of said certificate will be placed on the archive file with the investment instruction.

A report will be submitted by the CFO to the Accounting Officer and the Council describing the portfolio of the municipality's investment at month end. This report will be submitted within 10 working days from the end of the month.

The following will be set out in the monthly investment report:

- Market value of the investment at the beginning of the reporting period
- Changes to the investment portfolio during period
- Market value of investment at month end
- Interest received in the reporting period on investment

The following documents must accompany each tabled draft annual budget (inter alias):

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- municipality's investment particulars

12. CONTRA ALLOCATION OF INTEREST EARNED

Where funds are received from other authorities and applied to specific functions or tasks such as roads maintenance, the municipality will isolate such funds and allocate interest earned on investments to the funding principal if stated per allocation conditions.

Contra interest allocations will take into account funds received from the principal, the period held and any expenditure incurred on such account, with interest being credited at the average investment rate earned for the relevant period.

The interest accrued on a specific investment may be used to finance development projects of the municipality.

Before commencement of this type of investment the CFO must report on the following matters to the Accounting Officer for approval:

- Type of project
- Outcomes of project
- Amount needed for project
- Institution where investment will be made
- Time frame of the investment
- Interest rate of investment
- Amount to be allocated to the project
- Risk assessment of investment
- Risk assessment of the project
- Motivational report from Project Manager

13. REVIEW

This investment policy will be reviewed annually during the budget process by the Accounting Officer in concurrence with all new legislation applicable. The reviewed policy will be implemented at the beginning of each financial year.

ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the mayor, or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial officer.

SECTION 7: OPENING OF BANK ACCOUNTS

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

- otherwise than in the name of the municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

- all allocations to the municipality;
- all income received by the municipality on its investments;
- all income received by the municipality in connection with its interest in any municipal entity;
- all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- any other monies as may be prescribed.

The accounting officer of the municipality must 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. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, 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 annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer all the municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality's chief financial officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approved budget;
- defray expenditure authorised in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the municipality for such person or organ of state;
- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13;
- defray increased expenditure in terms of Section 31; or
- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorisation to a senior financial official to withdraw money or to authorize the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the chief financial officer to withdraw

money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

The following documents must accompany each tabled draft annual budget (inter alia):

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- particulars of the municipality's investments.

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connexion with such budget (and documents).

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for finance in the province must, when tabling the national annual budget in the national assembly or the provincial annual budget in the provincial legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

SECTION 45: SHORT-TERM DEBT

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or

bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and if the council approves a credit facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

SECTION 46: LONG-TERM DEBT

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONGTERM DEBT

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The accounting officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The accounting officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and 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.

The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	../../2018	dd	.. May 2018



CUSTOMER CARE, CREDIT CONTROL AND REVENUE MANAGEMENT POLICY

CUSTOMER CARE, CREDIT CONTROL AND REVENUE MANAGEMENT POLICY

TABLE OF CONTENTS

1. Definitions

CHAPTER 1: CUSTOMER CARE PRINCIPLES, OBJECTIVES AND IMPLEMENTATION, AND DIFFERENTIATION

2. Customer care principles, and objectives
3. Municipal Manager responsible officer
4. Differentiation between customers and exemption

CHAPTER 2: SUPPLY OF MUNICIPAL SERVICES

Part 1: Application for supply and service agreements, credit screening, deposits, billing and payment, and termination of service agreements

5. Application for supply of municipal services and service agreements
6. Credit screening
7. Deposits
8. Billing and payment
9. Termination of service agreement

Part 2: Non-payment of municipal accounts

10. Arrangements for payments
11. Interest on overdue municipal accounts
12. Debt collection mechanisms

Part 3: Metering equipment and metering of services

13. General provisions
14. Metering equipment and measuring of consumption
15. Re-sale of water or electricity

CHAPTER 3: ENFORCEMENT

16. Municipality's powers to restrict or disconnect supply of services
17. Tampering, unauthorised connections and reconnections, and improper use
18. Clearance certificate
19. Power of council to recover costs
20. Prima facie evidence
21. Abandonment of bad debts, and full and final settlement of account
22. Power of entry and inspection
23. Authentication and service of orders, notices and other documents

CHAPTER: MISCELLANEOUS PROVISIONS

24. Right of appeal
25. Offences and penalties
26. Transitional provision
27. Short title and commencement

1. Definitions

For the purposes of this policy, unless the context otherwise indicates –

“account holder” means any person who is due to receive a municipal account, which includes a user of pre-paid electricity or water;

“annual budget” means the budget approved by the municipal council for any particular financial year, and includes any adjustments to such budget;

“applicant” means a person who applies for the supply of municipal services;

“arrears” means any amount that the consumer and or owner was billed for and which was not paid in full on the account payment due date and is therefore regarded as outstanding the day following the account payment due date;

“billing” means invoicing on a municipal account to an account holder of an amount or amounts payable for rates, metered services, other municipal charges, levies, fees, fines, taxes, or any other amount or amounts payable arising from any other liability or obligation;

“consumer” means the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the municipality for the supply of municipal services to such premises, or, if there be no such person, then the owner of the premises, and **“domestic consumer”** or **“domestic user”** of municipal services means the person or household to which municipal services are rendered in respect of residential property;

“consumer price index” means the consumer price index (CPIX) as determined and gazetted by the South Bureau of Statistics;

“Council” means the Council of the Umsobomvu Municipality (or any service provider to the municipality);

“credit control” means all the functions relating to the collection of revenue;

“customer management” means the focusing on the account holder’s needs in a responsive and proactive way to encourage payment and thereby limiting the need for enforcement;

“customer service centre” means and serves as –

- (a) an office where an applicant may apply for services and enter into a service agreement with the municipality;
- (b) an office where an account holder may settle an account or may make pre-payment for services;
- (c) a credit screening point where the credit assessment of an applicant can be processed; or
- (d) an office where an account holder may query or verify accounts and metered consumption, and may communicate grievances, inquiries, recommendations and other relevant issues to the municipality and from where the response from the municipality can be conveyed to the account holder;

“due date” means the date specified as such on a municipal account despatched from the offices of the responsible officer for any charges payable and which is the last day allowed for the payment of such charges;

“interest” means an amount calculated at a rate determined by the municipality on a municipal account in arrears;

“land reform beneficiary”, in relation to a property, means a person who –

- (a) acquired the property through the provision of the Land and Assistance Act, 1993 (Act 126 of 1993);

- (b) acquired the property through the provision of the Restitution of Land Rights Act, 1994 (Act 22 of 1994);

- (c) holds the property subject to the Communal Property Associations Act, 1996 (Act 29 of 1996); or

- (d) holds or acquires the property in terms of such other land tenure reform legislation as may be enacted;

“local community” or **“community”**, in relation to the municipality, means that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic, non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality;

“market value” in relation to a property means the value of the property as determined in accordance with section 46 of the Property Rates Act, 2004 (Act 6 of 2004);

“minor tariffs” means all tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of services, other than major services, supplied, and includes services incidental to the provision of the major services, but does not include tariffs for major services;

“month” means one of 12 months of a calendar year;

“municipal account” means an account rendered on which is billed an amount or amounts payable to the municipality for rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation;

“municipal entity” means –

(a) a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation, and which operates under the ownership or control of one or more municipalities; or

(b) a service utility;

"municipality" means the Municipality of Umsobomvu, and includes any political structure, political office bearer, Councillor, duly authorised agent thereof or any employee thereof acting in connection with this by-law by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, municipality or, agent or employee;

“municipal manager” means the person appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

“municipal property” includes a property owned by a municipal entity;

“multiple purposes”, in relation to a property, means the use of a property for more than one purpose;

“municipal services” means those metered services and other municipal services for which payment is required by the municipality;

“municipal tariff” means a tariff for services which the municipality sets for the provision of a service to the local community, such as a tariff set for major services or a minor tariff, and includes a surcharge on such service;

“occupier” means any person who occupies any premises or part thereof without regard to the title under which the person occupies, and includes –

(a) any person in actual occupation of those premises;

(b) any person legally entitled to occupy those premises;

(c) in the case of those premises being subdivided and let to lodgers or various tenants, the person receiving the rent payable by such lodgers or tenants whether on the person's own account or as agent for any person entitled thereto or interested therein;

(d) any person having the charge or management of those premises, and includes the agent of any such person when the person is absent from the Republic of South Africa or his or her whereabouts are unknown; and

(e) the owner of those premises;

“officer” means an employee of the municipality or any other person who is specifically authorised thereto by the municipality to perform any act, function or duty in terms of, or exercise any power under this policy;

“organ of state” means an organ of state as defined in section 239 of the Constitution;

“owner”, in relation to –

(a) a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;

(b) a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;

(c) a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; and

(d) public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”,

however, the municipality may, for the purposes of the Property Rates Act, 2004 (Act 6 of 2004), regard as the owner of a property –

(i) in the case of a property in a trust, but excluding state trust land, a trustee,;

(ii) in the case of a property in a deceased estate, an executor or administrator;

(iii) in the case of a property in an insolvent estate or in liquidation, a trustee or liquidator;

(iv) in the case of a property in the estate of a person under judicial management, a judicial manager;

(v) in the case of a property in the estate of a person under curatorship, a curator;

(vi) in the case of a property that is subject to a usufruct or other personal servitude, a person in whose name a usufruct or other personal servitude is registered;

(vii) in the case of a property that is registered in the name of the municipality and is leased by it, a lessee; and
(viii) in the case of a property sold by the municipality and of which possession was given to the buyer pending registration of ownership in the name of such buyer, a buyer;

“permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of any restrictions imposed by a condition of title, a provision of the municipality’s town planning or land use scheme, or any legislation applicable to any specific property or properties, or any alleviation of any such restrictions;

“person” includes a legal person and an organ of state;

“preferred customer” means a person who may be granted special concessions by the municipality;

“premises” means any piece of land, the external surface boundaries of which are delineated on –

(a) a general plan or diagram registered in terms of Land Survey, Act of 1927 (Act 9 of 1927), or in terms of the Deeds Registry, Act of 1937 (Act 47 of 1937); or

(b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act 93 of 1986), which is situated within the area of jurisdiction of the municipality;

(c) and includes any other land and any building or structure above or below the surface of any land;

“property” means –

(a) immovable property registered in the name of a person, including in the case of a sectional title scheme a sectional title unit registered in the name of a person;

(b) a right registered against immovable property in the name of the person, but excluding a mortgage bond registered against the property;

(c) a land tenure right registered in the name of a person or granted to a person in terms of legislation, such as a “land reform beneficiary”; and

(d) public service infrastructure;

“publicly controlled” means owned by or otherwise under the control of an organ of state, including a public entity listed in the Public Finance Management Act, 1999 (Act 1 of 1999), a municipality, or a municipal entity;

“public service infrastructure” means publicly controlled infrastructure of the following kinds:

(a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;

(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme servicing the public;

(c) power stations, power sub-stations or power lines forming part of an electricity scheme serving the public;

(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuel forming part of the scheme for transporting such fuels;

(e) railway lines forming part of a national railway system;

(f) communication towers, masts, exchanges and lines forming part of a communication system serving the public;

(g) runways or aprons at national or provincial airports;

(h) breakwaters, seawalls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;

(i) any other publicly controlled infrastructure as may be prescribed by law; and

(j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

“rate” means a municipal rate on property as envisaged in section 229(1)(a) of the Constitution;

“rateable property” means property on which the municipality may in terms of section 2 of the Property Rates Act, 2004, levy a rate, but excludes property fully excluded from the levying of rates in terms of section 17 of that Act, but includes any rights registered against such property, with the exception of a mortgage bond;

“ratepayer” means a person who is liable to the municipality for the payment of rates on property in the municipality, any other tax, duty or levy imposed by the municipality, or fees for services provided either by the municipality or in terms of a service delivery agreement, or a combination of the above;

“rebate”, in relation to a rate payable on a property, means a discount granted in terms of section 15 of the Property Rates Act, 2004 on the amount of the rate payable on the property;

“residential property” means a property included in the valuation roll as residential in terms of section 48(2)(b) of the Property Rates Act, 2004;

“**revenue**” means all monies due to the municipality and to which the municipality has the right to exact and to enforce payment of, irrespective of the reason for or the origin of its factuality;

“**sectional title scheme**” means a scheme as defined in section 1 of the Sectional Titles Act, 1986 (Act 95 of 1986);

“**sectional title unit**” means a unit as defined in section 1 of the Sectional Titles Act, 1986 (Act 95 of 1986);

“**state trust land**” means land owned by the state and held in trust for persons communally inhabiting the land in terms of a traditional system of land tenure, over which land tenure rights have been registered or granted, or which is earmarked for disposal in terms of the Restitution of Land Rights, 1994 (Act 22 of 1994);

“**tampering**” means any unauthorised interference with the municipality’s supply, seals and metering equipment and “**tamper**” has a corresponding meaning;

“**target**” means realistic targets which may be set by the municipality ; and

“**tariffs for major services**” means tariffs set for the supply and consumption or usage of major services;

“**unreliable customer**” includes an account holder, who according to his or her payment record fails to settle his or her municipal account by the due date or who is in arrears with payments due to council or who tampers or interferes with metering equipment, seals or the supply of municipal services.

CHAPTER 1

CUSTOMER CARE PRINCIPLES, OBJECTIVES AND IMPLEMENTATION, AND DIFFERENTIATION

2. Customer care principles, and objectives

(1) The municipality aims –

- (a) to move progressively towards the social and economic upliftment of the community in harmony with its natural environment;
- (b) to provide basic services that are affordable to all its people, and specifically to the poor and disadvantaged, provided that, where applicable, service fees, rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable, arising from any other liability or obligation, are paid for;
- (c) to engage the active participation of the community in the municipality’s affairs, in particular in planning, service delivery and performance management;
- (d) to provide efficient, effective and transparent administration that conforms to constitutional principles;
- (e) to ensure that the municipality is financially and economically viable; and
- (f) to create a harmonious relationship between the municipality and the community through the acknowledgement of reciprocal rights and duties;

(2) The municipality by this policy, within the scope and spirit of the Constitution, the Local Government Municipal Systems Act, 2000 (Act 32 of 2000), and the Property Rates Act, 2004 (Act 6 of 2004) and any amendments thereto, gives effect to the principles underlying and expressed in these Acts, and therefore designs, regulates on and implements –

- (a) a customer care and management system which has as purpose –
 - (i) to create a positive and reciprocal relationship between the municipality and an account holder;
 - (ii) to establish mechanisms for an account holder to give feedback to the municipality regarding the quality of the services and the performance of the municipality;
 - (iii) to ensure that reasonable steps are taken to inform an account holder of the costs involved in service provision, the reasons for payment of service fees, and the manner in which monies raised from the services provided, are utilised;
 - (iv) to ensure, where the consumption of services has to be measured, that reasonable steps are taken to measure the consumption by individual account holders of services through accurate and verifiable metering systems;
 - (v) to ensure that an account holder receives regular and accurate accounts that indicate the basis for calculating the amounts due;
 - (vi) to provide accessible mechanisms for an account holder to query or verify a municipal account and metered consumption and appeal procedures which allow the account holder to receive prompt redress for inaccurate accounts;

- (vii) to provide accessible mechanisms for dealing with complaints from an account holder, together with prompt replies and corrective action by the municipality, and to provide mechanisms to monitor the response time and efficiency of the municipal's actions; and
- (viii) to provide for accessible pay points and other mechanisms for settling an account or for making pre-payments for services;
- (b) credit control and debt collection mechanisms and procedures which aim to ensure, subject to the Act and other legislation, that all money that is due and payable, from whatever source or cause, to the municipality, is collected; and
- (c) structures for tariffs and rates.

3. Municipal Manager responsible officer

The Municipal Manager –

- (a) is responsible to the Council for the implementation and enforcement of the provisions of this policy;
- (b) must, for the purposes of paragraph (a) take the necessary steps to implement and enforce the provisions of this policy;
- (c) is accountable to the Council for the agreed performance targets as approved by the Council, and for these purposes must –
 - (i) report to the Council on matters relating to this policy, including but not limited to –
 - (aa) the effectiveness of administrative mechanisms, resources processes and procedures to collect money that is due and payable to the municipality;
 - (bb) billing information, including the number of account holders, accruals, cash-flow, and customer management;
 - (cc) the satisfaction levels of account holders regarding services rendered; and
 - (dd) the effectiveness of the municipality's indigence relief measures; and
 - (ii) at regular intervals meet with municipal officials with the aim of submitting a joint recommendation on the policy to the Council;
 - (iii) where necessary, propose steps to the Council with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures;
 - (iv) where necessary, propose to the Council actions and adjustments to correct deviations;
 - (v) establish effective communication channels between the municipality and account holders with the aim of keeping account holders abreast of all decisions by the municipality that may affect them;
 - (vi) establish customer service centres which are located in such communities as determined by the municipality;
 - (vii) identify, appoint, and enter into agreements with suitable business concerns, institutions, organizations, establishments or para-statal institutions to serve as agencies for the purposes of this policy;
 - (viii) convey to account holders information relating to the costs involved in service provision, the reasons for payment of service fees, and the manner in which monies raised from the services are utilised, and may where necessary, employ the services of local media to convey such information;
 - (ix) expedite the processing of complaints or inquiries received from an account holder and must ensure that an account holder receives a response within a time determined by the municipality and must monitor the response time and efficiency in these instances;
 - (x) in line with the latest technological and electronic advances, endeavour to make 24-hour electronic inquiry and payment facilities available to account holders;
 - (xi) encourage and bear on account holders, where needed, to settle outstanding accounts within the ambit of this policy; and
 - (xii) with the consent of an account holder, enter into an agreement with the account holder's employer to deduct from the salary or wages of the account holder –
 - (aa) any outstanding amounts as may be agreed; or
 - (bb) such regular monthly amounts as may be agreed, and may provide special incentives for employers to enter into such agreements, and employees to consent to such agreements.

4. Differentiation between customers and exemption

- (1) In accordance with the principles embodied in the Constitution and the provisions of sections 6 and 8 of the Property Rates Act, 2004, and sections 74(3) and 75 of the Local Government: Municipal Systems Act, 2000, the municipality differentiates between different categories of users and consumers in regard to the tariffs which it levies, categories of ratepayers, account holders, customers, debtors, taxes, services, service standards and other matters, however, such differentiation must at all times be reasonable, and must be fully disclosed in each annual budget.
- (2) The municipality may, in writing, exempt an account holder, category of account holders, or other persons from complying with a provision of this policy, subject to any conditions it may impose, if the application or operation of that provision would be unreasonable, however the municipality or its authorised agent may not grant exemption from any section of this policy that may result in –
 - (a) the wastage or excessive consumption of water or electricity;
 - (b) the evasion or avoidance of water or electricity restrictions;
 - (c) significant negative effects on public health, safety or the environment;
 - (d) the non-payment for services;
 - (e) the installation of pipes and fittings which are not acceptable in terms of the municipality's prescribed standard; or
 - (f) any Act, or any regulation made under it, not being complied with.
- (3) The municipality or its authorised agent may at any time after giving written notice of at least 30 days, withdraw any exemption given under subsection (2).

CHAPTER 2

SUPPLY OF MUNICIPAL SERVICES

Part 1

Application for supply and service agreements, credit screening, deposits, billing and payment, and termination of service agreements

5. Application for supply of municipal services, service agreements, credit control and encouragement to pay arrear accounts

- (1) Any application for any supply of services to any premises must be made at the municipal offices at least four working days prior to the service being required and must comply with the conditions determined by the Municipal Manager or his or her nominated officer .
- (2) After the commencement of this policy and subject to the provisions of section 26 only the owner of a property or his or her duly authorised agent on his or her behalf may apply for municipal services to be supplied to a property.
- (3) No services shall be supplied unless and until application has been made by the owner and a service agreement in the format prescribed by the municipality has been entered into, signed and a deposit provided for in section 7 has been paid.
- (4) An application for a supply for a period of less than one year is regarded as an application for a temporary supply.
- (5) The following information must be included in the application form and disclosed by the applicant:
 - (i) Full name of applicant;
 - (ii) Postal address and fixed abode;
 - (iii) Identity number and a photo-copy of the identity documents of both husband and wife, and if a tenant also copies of the identity document of the owner is compulsory;
 - (iv) Marital status;
 - (v) Three recent references;
 - (vi) Vehicle registration number if any;
 - (vii) Name, telephone number and address of next of kin not residing with applicant;
 - (viii) Applicant's home, work and cellular phone numbers;
 - (ix) If a tenant, the owner or representative must sign the application form for approval of the services to be connected;
 - (x) A service deposit paid in advance on request and before the services can be connected;

- (xi) The application forms must be completed in such a manner that it serves as an agreement with the Council of which a copy must be handed to the applicant;
 - (xii) The application forms must be filed for ease of future reference;
 - (xiii) If the applicant cannot read or write he/she should be assisted with the completion of the form and the agreement explained;
 - (xiv) A paragraph must be inserted whereby the owner will be held responsible for the debt if not paid by the tenant;
 - (xv) Previous address.
- (6) As the Code of Conduct for Councilors in terms of Schedule 1 of the Act does not make provision as in the case of schedule 2 Section 12 of the Code of Conduct for Municipal staff members in respect of the payment of arrears it will form part of this policy that a Council member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than 3 months. The Municipality may deduct any outstanding accounts from the Council member's allowance after this period.
- (7) Upon application for services the following should be obtained from the applicant:-
- (i) photocopies of identity documents of both husband and wife and if the applicant is a tenant, copies of the owner's identity document are compulsory;
 - (ii) names and addresses of next of kin;
 - (iii) motor registration numbers;
 - (iv) the owner or representative of the owner has to sign the application form for approval of the services to be connected;
 - (v) the previous address should be stated for reference.
- (8) Where a service agreement with the municipality has been entered into by the consumer, water and electricity will be disconnected until such time as a service agreement has been signed and the applicable deposit paid;
- (9) New consumer deposits for business and industrial consumers must be re-assessed three months after the initial deposit date.
- (10) All other business and industrial deposits will be reviewed annually during the month of September each year;
- (11) Where electricity and/or water supply have been disconnected erroneously a written apology will be dispatched within seven working days;
- (12) Where consumers fail to pay their water and electricity accounts by the due date, the following actions should be taken:-
- (i) Final notices may be delivered or posted after the due date, and the final notice will contain a notice that the client may arrange to pay the outstanding balance off in terms of the Credit Control Policy;
 - (ii) An Acknowledgement of Debt Agreement must be completed with all arrangements for paying off arrear amounts. Copies must be handed to the client and filed on the Debt Agreement file;
 - (iii) The Acknowledgement of Debt must be signed within 48 hours after the receipt of the final notice;
 - (iv) Debit orders must be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonored the full balance will immediately become payable;
 - (v) Extension for the payment of arrears, together with the current accounts, should not exceed 36 months with first payment within 30 days of the date of agreement;
 - (vi) No interest will be charged on the arrear amount of such an agreement;
 - (vii) Only consumers with positive proof of identity or an authorized agent with a Power of Attorney will be allowed to complete an "Acknowledgement of Debt;"
 - (viii) When cheques are returned "Refer to Drawer" where an arrangement has been made, the full balance will immediately become payable. Electricity and/or water supply to such consumer will be disconnected until the full amount is paid in cash or per bank guaranteed cheque;

- (ix) No consumers will be allowed to enter into a second agreement if the first agreement was dishonored, except in special merit cases;
- (x) Merit cases, where special circumstances prevail, must be treated individually and could, amongst others, include the following categories:-
 - (a) Unemployed persons;
 - (b) Deceased estates;
 - (c) Liquidated companies or CC's;
 - (d) Private persons under administration;
 - (e) Outstanding enquiries on accounts for example, unallocated payments, water leaks, journals, incorrect levies, etc.;
 - (f) Pensioners;
 - (g) Any other cases not mentioned which may be regarded as merit cases due to circumstances approved by the Chief Financial Officer.
- (xi) Extension for payments of arrears in respect of merit cases should not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer.
- (xii) With the first payment within 30 days of the date of the agreement.
 - (a) Only the Chief Financial Officer, the Deputy Chief Financial Officer or the Accountant Income may make extensions and these cases must be supported by documentary proof. Previous payment records will be taken into consideration when a decision with regard to extensions is to be made.
- (xiii) When disconnections of electricity and/or water supply take place due to non-payment, the consumer's deposit will be adjusted to the current minimum;
- (xiv) When services are illegally restored, criminal action will be taken if possible and an administrative penalty as per the budget minor tariffs shall be levied;
- (xv) Where water and electricity accounts remain outstanding or unpaid for more than 2 months, the account will be handed over to Debt Collectors for collection and/or legal action to the Attorneys and will be listed at the Information Trust Corporation. These clients will have to make further arrangements at the Attorney and/or Debt Collectors, for the arrears account. The current monthly accounts must be paid directly to the Municipality.
- (xvi) After a debtor has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the municipality.
- (xvii) Where a property is provided with a pre-paid electricity and or water meter and being in arrears, the municipality has the option to either refuse sales, disconnect services or allocate 20% of the purchases of electricity towards the arrears;
- (xviii) Where consumers fail to pay their accounts in respect of assessment rates, refuse, sewerage and sundry charges and availability charges, the following action should be taken:-
 - (a) To recover the outstanding debts in respect of annual levies a 14 days' notice must be served on the debtor during October each year informing the debtor that it is noted that he/she has not paid the accounts and reminding him/her of the due date the account is payable i.e. end of September;
 - (b) A final demand be served on the debtor early during October of each year informing him/her that he/she has 7 days to pay the account after which he/she will be handed over to the Attorneys for collection and that his/her name will be forwarded to the Information Trust Corporation for listing;
 - (c) The same notification procedures must be followed as applicable to other services for arrangements for paying off arrears;
 - (d) If a consumer is in arrears and an Acknowledgement of Debt Agreement has been signed and the household income does not exceed R1 800.00 per month, and the Debt Agreement is honoured, the levying of interest will be stopped to allow the consumer to eliminate the outstanding debt within 36 months or within a shorter period, as agreed by the consumer.

6. Credit screening

- (1) The municipality may require of an applicant to submit information and documentary proof so as to enable the municipality to bring its records up to date and to assess the creditworthiness of the applicant, and the municipality reserves the right to call for an affidavit.
- (2) For the purposes of determining the creditworthiness of an account holder the municipality may make use of the service of a credit bureau, or any other agency or means as the Municipal Manager or his or her nominated officer may determine.

7. Deposits

- (1) On approval of the application and before the service is made available, the municipality may require the applicant –
 - (a) to deposit for municipal services with the municipality a sum of money equal to the estimated tariff or charge for an average month's services as determined by the municipality, excluding the cost of a service rendered by means of a pre-payment device used by the municipality;
 - (b) to provide a bank guarantee as security for the sum of money calculated in terms of 7(1) ; or(a) above
 - (c) to agree to special conditions regarding payment of the municipal account, and monies so deposited with the municipality serve as security and working capital;
 - (d) if a guarantee provided per 7(1)(c) above is revoked or matures, the account holder shall supply the municipality with a cash deposit failing which the provision of services shall be terminated and or restricted.
- (2) The Municipal Manager or his or her nominated officer reserves the right to review the sum of money deposited or the amount for which additional security is required.
- (3) Subject to subsection (5), an amount deposited with the municipality in terms of subsections (1) and (2) shall not be regarded as being in payment or part payment of an account due for services rendered.
- (4) The Municipal Manager or his or her nominated officer may, in respect of preferred customers, consider relaxation of the conditions pertaining to deposits as set out in subsections (1) and (2).
- (5) On termination of the supply of services, the amount of such deposit, as determined by the municipality, less any payments due to the municipality, must be refunded to an account holder.
- (6) No interest shall be payable by the municipality on the amount of a deposit held by the municipality in terms of this section.
- (7) A deposit held by the municipality will be forfeited in the event an account holder does not claim the deposit within 12 months from date of termination of services.

8. Billing and payment

- (1) The account holder must pay all amounts due to the municipality as reflected in the municipal account, and the onus is on the account holder to verify the accuracy of such account.
- (2) An account holder must pay for metered services, and must pay the rates, other municipal charges, levies, fees, fines, interest, taxes or any other liability or obligation from the date of origin of such municipal charges until the written termination of the services.
- (3) An account holder –
 - (a) has one account number and must be rendered one account, on which the due date for settlement of the total amount owing is reflected, subject to the provisions of subsection (14); and
 - (b) must be rendered an account monthly in cycles of approximately 30 days.
- (4) Payment must be received on or before the close of business on date as stipulated on the account.
- (5) Payment made via any of the service providers appointed by the municipality to receive payments on its behalf, should be made at least four working days before the due date to enable the payment to be processed, and interest accrues should the municipality receive payment after the due date as per the account.
- (6) Where the account holder effects payment of an account via a service provider four working days or more before the due date and such service provider fails to furnish the municipality with the relevant payment details, such service provider may be held liable for all charges incurred by the municipality to recover an arrear amount erroneously reflected on the account of the account holder, as well as for interest charges.

- (7) The municipality may estimate the quantity of metered services supplied in respect of a period or periods within the interval between actual successive readings of the meters, and may render an account to an account holder for the quantity of metered services so estimated, subject that:
- (a) Estimate consumption shall not be applied for a period in excess of three reading intervals per financial year and the three intervals so estimated shall not be consecutive reading intervals;
 - (b) Estimate consumption shall be based on the actual average consumption of the preceding three reading intervals.
- (8) If an account holder is dissatisfied with an account rendered for metered services supplied by the municipality, such account holder may, prior to the due date stipulated therein object to the account, setting out reasons **in writing** for such dissatisfaction.
- (9) Should any dispute arise as to the amount owing by an account holder, and subject to the provisions of section 102 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the account holder must notwithstanding such dispute proceed to make regular payments by the due date based on the calculation of the average municipal account for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the municipality.
- (10) An error or omission in any account or failure to render an account does not relieve the account holder of the obligation to pay by the due date.
- (11) If an account holder uses water, refuse removal services, sanitation services or electricity for a category of use other than that for which it is supplied by the municipality and is in consequence not charged for water refuse removal services, sanitation services or electricity so used, or is charged for the water, refuse removal services, sanitation services or electricity at a rate lower than that at which the account holder should be charged, the account holder is liable for the amount due to the municipality in accordance with the prescribed charges in respect of –
- (a) the quantity of water or electricity the refuse removal services and sanitation services which the account holder has used and for which the account holder has not been charged; or
 - (b) the difference between the cost of the water or electricity used by the account holder at the rate at which the account holder has been charged and the cost of the water or electricity at the rate at which the account holder should have been charged.
- (12) An account holder is not entitled to a reduction of the amount payable for metered services which are lost due to a default in the meter, until such time as the provisions of section 14(8)(c) have been met.
- (13) The municipality may –
- (a) consolidate any separate accounts of an account holder liable for payment to the Municipality;
 - (b) credit any payment by an account holder against any debt of that account holder; and
 - (c) implement any of the debt collection and credit control measures provided for in this policy in relation to any arrears on any account of such a person.
- (14) The owner of property may enter into an agreement with the municipality in terms of which payment for rates is made annually, in which case payment must be made on or before the date determined by the municipality.
- (15) Monthly accounts shall be rendered to consumers for the amount due and payable, at the address last recorded with the municipality.
- (16) Accounts shall –
- (a) show –
 - (i) the consumption or estimated consumption or assumed consumption as determined for the measuring or consumption period;
 - (ii) the measuring or consumption period;
 - (iii) the applicable tariff;
 - (iv) the amount due in terms of the actual, estimated or assumed consumption;
 - (v) the amount due and payable for any other service rendered by the Municipality;
 - (vi) the amount in arrears, if any;
 - (vii) the interest payable on arrears, if any;
 - (viii) the final date for payment;
 - (ix) the methods, places or approved agents where payment may be made;
- (17) In the event an account holder relocates to another premise, the account holder must pay all outstanding service charges and rates and taxes, if rates and taxes are in arrears, before a service agreement is entered with the consumer at the other premises.

18. In the event an account holder offers to the municipality a “refer to drawer”, post-dated, stale or incorrectly completed cheque for payment of services and or other charges, the municipality must-
- (a) levy an administrative fee as provided for in the annual budget;
 - (b) recover the bank costs, if any;
 - (c) debit the full amount of the cheque against the account;
 - (d) require payment in cash;
 - (e) follow the credit control measures as provided for in the policy after proper notice has been given and the account holder fails to adhere to the notice and request for payment;
 - (f) refuse in future any cheque payment of the account holder for any services or charges.

9. Termination of service agreement

- (1) Termination of the service agreement must be in writing to the other party of the intention to do so.
- (2) Where a property is sold, an owner may terminate a service agreement by giving the municipality not less than four working days’ notice in writing.
- (3) The municipality may, by notice in writing of not less than 14 working days, advise an account holder of the termination of the agreement for a supply of municipal services if –
 - (a) the account holder has not consumed any water or electricity during the preceding six months, or has vacated the property and has not made satisfactory arrangements for the continuation of the agreement;
 - (b) the account holder has committed a breach of this policy and has failed to rectify such breach; or
 - (c) the municipality cannot continue to supply the account holder with municipal services, as in terms of an arrangement with another authority supplying municipal services such authority must in future supply municipal services to the account holder.

Part 2

Non-payment of municipal accounts

10. Arrangements for payments

- (1) Should an account holder, before any of the steps have been taken in terms of section 12, not be able to pay the municipal account in full, the account holder may approach the municipality with the aim of making short-term arrangements to settle the account.
- (2) Should an account holder, after any of the steps have been taken in terms of section 12, experience difficulties in paying the municipal account, the account holder may approach the municipality with the aim of making arrangements to settle the account, and the account holder must enter into a written agreement with the municipality to repay to the municipality the outstanding and due amount under the conditions and on a basis determined, by the Municipal Manager, or his or her nominated officer.
- (3) The written agreement has to be signed on behalf of the municipality by a duly authorised officer.
- (4) Only a consumer with positive proof of identity and address and authorised by the owner of the property in writing, shall be allowed to enter into an agreement for the payment of arrears in instalments.
- (5) The amount due and payable by a consumer constitutes a consolidated debt, and any payment made by a consumer of an amount less than the total amount due, or in the event of a deposit allocated for arrears or final settlement of an account, payment shall be allocated in reduction of the consolidated debt as provided for in the service level agreement or on the following basis –
 - (a) firstly towards payment of the current account for:
 - (i) water charges;
 - (ii) sanitation charges;
 - (iii) refuse charges;
 - (iv) property tax charges
 - (b) towards payment of arrears;
 - (c) towards payment of interest; and
 - (d) towards costs incurred in taking relevant action to collect amounts due and payable.
 - (e) lastly towards payment of electricity charges.
- (6) In the instance where arrangements for payment have been made the municipality may –
 - (a) review the deposit;

- (b) require of an account holder to pay by means of a stop order or debit order;
 - (c) require of an account holder to convert to a pre-paid metering system;
 - (d) require any other form of security, including personal suretyship by the directors or members of a company, closed corporation, trust or body corporate, or;
 - (e) waive the interest on the arrear amount.
- (7) A consumer may be required to complete a debit order for the payment of arrears.
- (8) No agreement for the payment of arrears shall be longer than 24 months, unless the circumstances referred to in subsection (9) prevail.
- (9) The Municipality may, on an individual basis, allow a longer period than 24 months for the payment of arrears if special circumstances prevail, that in the opinion of the Municipality, warrants such an extension and which the consumer reasonably could not prevent or avoid, and documentary proof of such special circumstances must be furnished by the consumer on request by the Municipality.
- (10) The Municipality may, in exercising its discretion under subsection (5), have regard to a consumer's –
- (b) credit record;
 - (c) consumption;
 - (d) level of service;
 - (e) previous breaches of agreements for the payment of arrears in instalments (if any); and
 - (f) any other relevant factors.
- (11) A copy of the agreement shall, on request, be made available by the Municipality to the consumer.
- (12) If a consumer fails to comply with an agreement for the payment of arrears in instalments, the total of all outstanding amounts, including the arrears, any interest thereon, administration fees, costs incurred in taking relevant action, and penalties, including payment of a higher deposit, will immediately be due and payable, without further notice or correspondence.
- (13) If a consumer fails to comply with an agreement for the payment of arrears in instalments entered into after receipt of a discontinuation notice, access to services may be discontinued without further notice or correspondence in addition to any other actions taken against or that may be taken against such a consumer.
- (14) No consumer shall be allowed to enter into an agreement for the payment of arrears in instalments where that consumer failed to honour a previous agreement for the payment of arrears in instalments, entered into after the receipt of a discontinuation notice.
- (15) If a consumer owes the municipality more than R5 000.00 for a period in excess of 150 days, the Accounting Officer may after negotiations with the consumer write off 50% of the arrear amount that is in excess of 150 days.

11. Interest and penalties on overdue municipal accounts

- (1) The municipality may, by resolution of its determined number of members, charge or recover interest and penalties at a determined interest rate in respect of any arrear amounts due and payable to the municipality.
- (2) Irrespective of the reason for non-payment, interest accrues if an account is unpaid.
- (3) Interest is calculated monthly according to the approved interest rate as determined in the annual budget, and a portion of a month is regarded as a month.
- (4) Interest or penalties are payable if payment is not received at an office of the municipality at close of business on the due date.
- (5) In an effort to encourage payment no interest will be payable on the arrear amount when a consumer makes arrangements for payment of an arrear account.
- (6) Penalties of 10% will be charged on all services accounts that are in arrears and due to the municipality.

12. Debt collection mechanisms

- (1) Where appropriate, the Municipality must at all times attempt to advise an account holder of an impending disconnection, or restriction of a supply, and the following mechanisms may be applied should an account holder fail to settle a municipal account by the due date:
- (a) delivering or mailing of a final demand and explaining to the account holder the status of the account and the consequences of not paying or concluding an arrangement;
 - (b) informing the account holder verbally, in writing, telephonically, or by electronic means of the overdue amount and the impending disconnection or restriction of services;

- (c) disconnecting or restricting the supply of municipal services to the premises and the serving of a disconnection or restriction notice on the account holder; or
 - (d) debiting the municipal account of the account holder with all relevant fees or penalties approved by the municipality.
- (2) Where the metered supply had been disconnected or restricted, and should the account holder still fail to pay the account, the premises may be revisited at regular intervals to ensure that the metered supply remains disconnected or restricted, and if it is found that the supply which had been disconnected or restricted previously has been restored –
- (a) the municipality has the right to take whatever action is required in terms of section 26, and the account holder is responsible for the relevant fees or charges or damages caused;
 - (b) the municipality may refuse to supply services;
 - (c) in the instance of the use of a pre-paid meter, the municipality may cease further vending of pre-paid services; and
 - (d) levy and administrative penalty as provided for in the budget.
- (3) Where a duly authorised officer of the municipality has visited the premises for the purpose of disconnecting or restricting the supply and was obstructed or prevented from effecting such disconnection or restriction, an amount equal to the prescribed fee for a reconnection becomes payable for each visit necessary for the purpose of such disconnection or restriction, subject to a maximum of two such visits during which disconnection or restriction could not be effected.
- (4) The municipality may use any one or more of the following mechanisms to secure full payment of any amounts owing to it:
- (a) Restricting or denying the sale of pre-paid services to an account holder, or disconnecting any pre-paid metering system of an account holder, who is in arrears with other services;
 - (b) requiring of the account holder to convert to another metering system;
 - (c) allocating a portion of any pre-paid payment to other debts;
 - (d) releasing debtor information to a credit bureau;
 - (e) publishing a list of account holders who remain in default;
 - (f) withholding payment of a grand-in-aid and subject to the provisions of section 33, excluding the account holder from the bid process;
 - (g) withholding payment on contracts for settlement of the municipal account;
 - (h) reviewing and altering the conditions of the service agreement;
 - (i) instituting legal proceedings for the recovery of the debt;
 - (j) classifying the account holder as an unreliable customer;
 - (k) using the services of external debt collection specialists or agencies;
 - (l) insisting on conversion to pre-paid metering at the cost of the account holder; or
 - (m) employing any other methods authorised by the municipality from time to time to recover arrear amounts.
- (5) The cost of collection, where applicable, is to the account holder's account.
- (6) Subject to the provisions of sections 28 and 29 of the Property Rates Act, 2004 (Act 6 of 2004), the right to deny, restrict, disconnect or terminate services due to the non-payment for any rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation prevails notwithstanding the fact that –
- (a) payment was intended for any specific service; or
 - (b) the person who entered into a service agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.

Part 3

Metering equipment and metering of services

13. General provisions

- (1) The municipality may introduce various metering equipment and may encourage an account holder to convert to a system which is preferred by the municipality when there are benefits for the municipality.
- (2) After commencement of this policy, and where possible and applicable, pre-paid meters must preferably be installed for all new connections.

14. Metering equipment and measuring of consumption

- (1) The municipality must, at the consumer's cost in the form of a direct charge or prescribed fee, provide, install and maintain appropriately rated metering equipment at the point of metering for measuring metered services.
- (2) The municipality reserves the right to meter the supply to a block of shops, flats, tenement-houses and similar buildings for the building as a whole, or for an individual unit, or for a group of units.
- (3) Where any building referred to in subsection (2) is metered by the municipality as a whole -
 - (a) the owner may, at own cost, provide and install appropriate sub-metering equipment for each shop, flat and tenement; or
 - (b) the municipality may require the installation, at the account holder's expense, of a meter for each unit of any premises in separate occupation for the purpose of determining the quantity of metered services supplied to each such unit.
- (4) Where the water or electricity used by consumers is charged at different tariff rates, the consumption must be metered separately for each rate.
- (5) Where sub-metering equipment is installed, accommodation separate from the municipality's metering equipment must be provided where appropriate.
- (6) Except in the case of pre-payment meters, the quantity of metered services used by a consumer during any metering period is ascertained by reading the appropriate meter or meters supplied and installed by the municipality at the beginning and end of such metering period, except where the metering equipment is found to be defective.
- (7) For the purpose of calculating the amount due and payable for the quantity of metered services consumed, the same amount of metered services is deemed to be consumed during every period of 24 hours between readings.
- (8) The following apply to the accuracy of metering:
 - (a) A meter is conclusively presumed to be registering accurately if its error, when tested in the manner prescribed in subsection (13), is found to be within the limits of error as provided for in the applicable standard specifications;
 - (b) the municipality has the right to test its metering equipment, and if it is established by test or otherwise that such metering equipment is defective, the Municipality must –
 - (i) in case of a credit meter, adjust the account rendered; or
 - (ii) in the case of prepayment meters:
 - (aa) render an account where the meter has been under-registering; or
 - (bb) issue a free token where the meter has been over-registering; and
 - (c) the consumer is entitled to have the metering equipment tested by the municipality on payment of the prescribed fee, and if the metering equipment is found not to comply with the system accuracy requirements as provided for in the applicable standard specifications, an adjustment in accordance with the provisions of paragraph (b) and subsection (7) must be made and the aforesaid fee must be refunded.
- (9) No alterations, repairs, additions or connections of any description may be made on the supply side of the point of metering unless specifically approved in writing by the Municipal Manager or a duly authorised officer of the municipality.
- (10) Prior to the municipality making any upward adjustment to an account in terms of subsection (8)(b), the municipality must –
 - (a) notify the consumer in writing of the monetary value of the adjustment to be made and the reasons therefore;
 - (b) in such notification provide sufficient particulars to enable the consumer to submit representations thereon; and
 - (c) call upon the consumer in such notice to present it with reasons in writing, if any, within 21 days or such longer period as the municipality may permit, why the account should not be adjusted as notified, and should the consumer fail to provide any representation during the period the municipality is entitled to adjust the account as notified in paragraph (a).
- (11) The Municipality must consider any representation provided by the consumer in terms of subsection (10) and must, if satisfied that a case has been made out therefore, adjust the account appropriately.
- (12) If the Municipal Manager or a duly authorised officer of the municipality decides, after having considered the representation made by the consumer, that such representation does not establish a case

warranting an amendment to the monetary value established in terms of subsection (15), the municipality is entitled to adjust the account as notified in terms of subsection (10)(a), and the consumer has the right to appeal the decision of the official in terms of section 62 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

- (13) Meters are tested in the manner provided for in the applicable standard specifications.
- (14) When an adjustment is made to the consumption registered on a meter in terms of subsection (8)(b) or (8)(c), such adjustment is based either on the percentage error of the meter as determined by the test referred to in subsection (13), or upon a calculation by the Municipality from consumption data in its possession, and where applicable, due allowance must be made, where possible, for seasonal or other variations which may affect consumption.
- (15) When an adjustment is made as contemplated in subsection (14), the adjustment may not exceed a period of six months preceding the date on which the metering equipment was found to be inaccurate, however the application of this subsection does not bar a consumer from claiming back overpayment for any longer period where the consumer is able to prove the claim in the normal legal process.
- (16) The municipality may dispense with the use of a meter in case of –
 - (a) an automatic sprinkler fire installation; and
 - (b) special circumstances at the Engineer's discretion.
- (17) The municipality may by notice –
 - (a) prohibit or restrict the consumption of metered services –
 - (i) for specified or non-specified purposes;
 - (ii) during specified hours of the day or on specified days or otherwise than during specified hours of the day or on specified days; and
 - (iii) in a specified or non-specified manner; and
 - (b) determine and impose –
 - (i) limits on the quantity of metered services which may be consumed over a specified period;
 - (ii) charges additional to those prescribed in respect of the supply of metered services in excess of a limit contemplated in subparagraph (i); and
 - (iii) a general surcharge on the prescribed charges in respect of the supply of metered services; and
 - (c) impose restrictions or prohibitions on the use or manner of use or disposition of an appliance by means of which metered services is used or consumed, or on the connection of such appliance.
- (18) The municipality may limit the application of the provisions of a notice contemplated by subsection (17) to specified areas and classes of account holders, premises and activities, and may provide for the Municipality to permit deviations and exemptions from, and the relaxation of any of the provisions on such grounds as he or she may deem fit.
- (19) To ensure compliance with a notice published in terms of subsection (17), the municipality may take, or by written notice require an account holder at the account holder's expense to take, such measures, including the installation of measuring devices and devices for restricting the flow of metered services as may be necessary.
- (20) In addition to the person by whose act or omission a contravention of or failure to comply with the terms of a notice published in terms of subsection (17) is actually committed, an account holder in respect of the premises to which metered services are supplied is presumed also to have committed the contravention or to have so failed to comply, unless evidence is adduced that the account holder had taken all reasonable steps to prevent such a contravention or failure to comply by any other person, however, the fact that the account holder issued instructions to the other person shall not of itself be accepted as sufficient proof that the account holder took all such reasonable steps.
- (21) The provisions of this section also apply in respect of metered services supplied directly by the municipality to account holders outside its area of jurisdiction, notwithstanding anything to the contrary in the conditions governing such supply, unless otherwise specified in the notice published in terms of subsection (17).
- (22) If such action is necessary as a matter of urgency to prevent waste of metered services, refuse or sewerage, damage to property, danger to life, or pollution of water, the municipality may –
 - (a) without prior notice disconnect the supply of metered services to any premises; and

- (b) enter upon such premises and do such emergency work, at the account holder's expense, as he or she may deem necessary, and in addition by written notice require the account holder to do within a specified period such further work as the municipality may deem necessary.
- (23) Before any metered or pre-paid metered supplies which have been disconnected or restricted for non-payment is restored, an account holder must pay all fees and charges as determined by the municipality.
- (24) The municipality may, at the written request of an account holder and on the dates requested by the account holder –
 - (a) disconnect the supply of metered services to the account holder's premises; and
 - (b) restore the supply, and the account holder must before the metered services is restored pay the prescribed charge for the disconnection and restoration of his or her supply of metered services.
- (25) After disconnection for non-payment of an account or a contravention of any provision of this policy, the prescribed fees must be paid before reconnection is made.
- (26) The following apply to the reading of credit meters:
 - (a) Unless otherwise prescribed, credit meters are normally read at intervals of approximately one month and the fixed or minimum charges due in terms of the tariff are assessed accordingly and the municipality is not obliged to effect any adjustments to such charges;
 - (b) if for any reason the credit meter cannot be read, the municipality may render an estimated account, and estimated consumption must be adjusted in a subsequent account in accordance with the consumption actually consumed.
 - (c) when an account holder vacates a property and a final reading of the meter is not possible, an estimation of the consumption may be made and the final account rendered accordingly;
 - (d) if a special reading of the meter is desired by a consumer, this may be obtained upon payment of the prescribed fee; and
 - (e) if any calculating, reading or metering error is discovered in respect of any account rendered to a consumer –
 - (i) the error must be corrected in subsequent accounts;
 - (ii) any such correction applies only in respect of accounts for a period of six months preceding the date on which the error in the accounts was discovered,
 - (iii) the correction is based on the actual tariffs applicable during the period; and
 - (iv) the application of this section does not prevent a consumer from claiming back overpayment for any longer period where the consumer is able to prove the claim in the normal legal process.
- (27) The following apply to pre-payment metering:
 - (a) No refund of the amount tendered for the purchase of electricity or water credit is given at the point of sale after initiation of the process by which the prepayment meter token is produced;
 - (b) copies of previously issued tokens for the transfer of credit to the prepayment meter may be issued at the request of the consumer;
 - (c) when an account holder vacates any premises where a prepayment meter is installed, no refund for the credit remaining in the meter is made to the owner by the municipality;
 - (d) the municipality is not liable for the reinstatement of credit in a prepayment meter lost due to tampering with, or the incorrect use or the abuse of, prepayment meters or tokens;
 - (e) where an account holder is indebted to the municipality for any rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation, the municipality may deduct a percentage from the amount tendered to offset the amount owing to the municipality; and
 - (f) the municipality may appoint vendors for the sale of credit for prepayment meters and does not guarantee the continued operation of any vendor.

15. Re-sale of water or electricity

- (1) No account holder who is supplied with metered services in terms of this policy may sell or supply water or electricity, supplied to the account holder's premises under an agreement with the municipality, to any other person or persons for such use upon any premises other than those in respect of which such agreement is made, or permit or suffer such resale or supply to be made, unless provision has been made

therefore in a special agreement or unless prior permission from the municipality to do so has been obtained.

- (2) If the municipality grants the permission referred to in subsection (1), it may stipulate the maximum price at which the water or electricity may be sold and impose such other conditions as it may deem fit.
- (3) Permission referred to in subsection (1) may be withdrawn at any time.
- (4) Where water or electricity is resold for use on the same premises, such resale must be in accordance with the tariff and subject to such conditions as the municipality may decide.

CHAPTER 3

CHAPTER 4

ENFORCEMENT

16 . Municipality's powers to restrict or disconnect supply of services

The municipality may, over and above the provisions of any other provisions in this policy restrict or disconnect the supply of water and electricity, or discontinue any other service to any premises if -

- (a) an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 37 of 1944), in respect of an account holder;
- (b) an account holder of any service fails to comply with a condition of supply imposed by the municipality;
- (c) an account holder obstructs the efficient supply of electricity, water or any other municipal services to another account holder;
- (d) an account holder supplies such municipal services to any person who is not entitled thereto or permits such service to continue;
- (e) an account holder causes a situation which is dangerous or a contravention of relevant legislation; or
- (f) an account holder is placed under provisional registration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act, 1936 (Act 24 of 1936).

17. Tampering, unauthorised connections and reconnections, and improper use

- (1) The municipality reserves the right to monitor the service network for signs of tampering or irregularities.
- (2) No person may in any manner or for any reason whatsoever tamper or interfere with any meter or metering equipment or service connection or service protective device or supply mains or any other equipment of the municipality.
- (3) Where prima facie evidence exists of an account holder or any person having contravened subsection (2), the municipality has the right to disconnect the supply immediately and without prior notice to the account holder, and the account holder is liable for all fees and charges levied by the Municipality for such disconnection plus penalty as provided for in the annual budget.
- (4) Where an account holder or any person has contravened subsection (2) and such contravention has resulted in the meter recording less than the true consumption, the municipality has the right to recover from the account holder the full cost of his or her estimated consumption and the cost of repair or replacement of damaged metering devices.
- (5) Where prima facie evidence exists of an account holder or any person having contravened subsection (2), the municipality must report the matter to the South African Police Services.
6. Where an account holder or any person has contravened subsection (2), the account rendered to the premises must be paid in full before consumption is resumed.
7. Where an account holder or any person has contravened subsection (2), all credit service consumption meters must be replaced with pre-paid meters and such conversion costs shall be for the account of the account holder.

22. Clearance certificate

To effect the transfer of any immovable property from one registered owner to another, the Registrar of Deeds requires a clearance certificate, which certificate is obtainable from the municipal manager or a duly authorised officer of the municipality, upon payment of the prescribed fee and subject to the conditions of Section 118 of the Municipal Systems Act, 2000 (Act 32 of 2000) being met.

18. Bids and grants-in-aid

- (1) Each bid submitted to the municipality must be accompanied by a certificate from the municipality stating that the proposed supplier is not indebted to the municipality for any arrear amount reflected on the municipal account.
- (2) Should a proposed supplier be so indebted, the municipality may disallow the bid.
- (3) The municipality may only consider a bid once the proposed supplier has made satisfactory arrangements to pay the outstanding amount by means of instalments, or has settled all arrear amounts in full.
- (4) The Municipal Manager or a duly authorised officer of the municipality must in the condition of contract, provide for the deduction from moneys owed to the supplier in order to settle any outstanding amount.
- (5) Payment of any grants-in-aid approved by the municipality may be withheld pending payment of any outstanding municipal account, or pending an agreement between the municipality and the receiver of a grant-in-aid in which satisfactory arrangements have been made regarding the settlement of the outstanding municipal account.

19. Power of council to recover costs

- (1) Where a bank dishonours any payment made to the municipality, the municipality may levy and recover all related costs and any administration fees against an account of the defaulting account holder and may disconnect or restrict the supplies to the premises of such account holder.
- (2) All legal costs, including attorney-and-client costs incurred in the recovery of amounts in arrears and payable in terms of the Magistrates Court Act, 1944 (Act 32 of 1944), must be levied against the arrears account of the account holder.
- (3) For any action taken in demanding payment from an account holder or reminding an account holder by means of telephone, fax, electronic mail, letter or otherwise that payments are due, a fee will be levied against the municipal account of the account holder in terms of the municipality's tariff provisions.

20. Prima facie evidence

A certificate reflecting the amount due and payable to the municipality, signed by the municipal manager or a duly authorised officer of the municipality, is upon mere production thereof prima facie evidence of the indebtedness of the person mentioned in it.

21. Abandonment of bad debts, and full and final settlement of account

- (1) Before terminating the debt collection procedure in any individual instance, the municipal manager must –
 - (a) ensure that all debt collection mechanisms as provided for in section 12 have been utilised where reasonable;
 - (b) maintain an audit trail; and
 - (c) document the reasons for terminating the debt collection procedure, including the cost of enforcement and necessary financial adjustments.
- (2) The municipal manager or a duly authorised officer of the municipality may consider an offer for full and final settlement, and must, if in the interests of the municipality, in writing consent to the acceptance of a lesser amount as full and final settlement of the amount due and payable.
- (3) Where the exact amount due and payable to the municipality has not been paid in full, any lesser amount tendered to and accepted by any the municipality employee, except the municipal manager or the municipal manager's delegate, shall not be deemed to be in full and final settlement of such an amount.

22. Power of entry and inspection

- (1) A duly authorised representative of the municipality may for any reason related to the implementation or enforcement of this policy at all reasonable times or in emergency at any time, enter premises, request information and carry out such inspection as deemed necessary, and may for purposes of installing or repairing any meter or service connection for reticulation disconnect, stop or restrict the provision of any service.

- (2) If the municipality considers it necessary for work to be performed to enable an officer to perform a function referred to in subsection (1) properly and effectively, it may –
 - (a) by written notice require an account holder to do, at own expense, specified work within a specified period; or
 - (b) if the situation is a matter of urgency, without prior notice do such work or cause it to be done at the expense of the account holder.
- (3) If the work referred to in subsection (2) is carried out for the sole purpose of establishing whether a contravention of this policy has been committed and no such contravention has taken place, the municipality must bear the expense connected therewith together with that of restoring the premises to their former condition.

23. Authentication and service of orders, notices and other documents

- (1) An order, notice or other document requiring authentication by the municipality must be signed by the municipal manager or by a duly authorised officer of the municipality, such authority being conferred by resolution of the municipality or by a by-law or regulation, and when issued by the municipality in terms of this policy is deemed to be duly issued if it is signed by an officer authorised by the municipality.
- (2) Any notice or other document that is served on a person by a duly authorised officer of the municipality in terms of this policy, is regarded as having been served –
 - (a) when it has been delivered to that person personally;
 - (b) when it has been left at that person's place of residence or business in the Republic with a person apparently over the age of 16 years;
 - (c) when it has been posted by registered or certified mail to that person's last known residential or business address in the Republic and an acknowledgement of the posting thereof from the postal service is obtained;
 - (d) if that person's address in the Republic is unknown, when it has been served on that person's agent or representative in the Republic in the manner provided by paragraphs (a), (b) or (c);
 - (e) if that person's address and agent or representative in the Republic is unknown, when it has been placed in a conspicuous place on the property or premises, if any, to which it relates;
 - (f) in the event of a body corporate, when it has been delivered at the registered office of the business premises of such body corporate to a person apparently over the age of 16 years; or
 - (g) when it has been delivered, at the request of a person, to that person's electronic mail address.
- (3) When any notice or other document has to be served on the owner, an account holder or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, account holder or holder of the property or right in question, and it is not necessary to name that person.
- (4) Service of a copy is deemed to be service of the original.
- (5) Any legal process is effectively and sufficiently served on the municipality when it is delivered to the municipal manager or a person in attendance at the municipal manager's office.

CHAPTER 5 MISCELLANEOUS PROVISIONS

24. Right of appeal

- (1) A person whose rights are affected by a decision of a municipal officer may appeal against that decision by giving written notice of the appeal and reasons to the municipal manager within 21 days of the date of the notification of the decision.
- (2) The Municipal Manager must promptly submit the appeal to the appropriate appeal authority mentioned in subsection (4).
- (3) The appeal authority must consider the appeal and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
- (4) When the appeal is against a decision taken by –
 - (a) a staff member other than the municipal manager, the municipal manager is the appeal authority;
 - (b) the municipal manager, the Mayor is the appeal authority; or

- (c) a political structure or political officer bearer or a the councillor, a committee of councillors who were not involved in the decision and appointed by the municipality for this purpose is the appeal authority.
- (5) An appeal authority must commence with an appeal within six weeks and decide the appeal within a reasonable time.

25. Offences and penalties

A person is guilty of an offence and liable upon conviction to a period not exceeding six months of community service or a fine or a combination of the aforementioned if he or she –

- (a) fails to give access required by an officer in terms of section 22;
- (b) obstructs or hinders an officer in the exercise of his or her powers or the performance of functions or duties under this policy;
- (c) uses or interferes with the municipality equipment for consumption of services supplied;
- (d) fails or refuses to give the municipality or an officer such information as the municipality or the officer may reasonably require for the purpose of exercising powers or functions under this policy, or gives the municipality or the officer false or misleading information knowing it to be false or misleading;
- (e) fails to comply with the terms of a notice served upon him or her in terms of this policy; or
- (f) tampers or breaks any seal on a meter or on any equipment belonging to the municipality, or for any reason determined by the municipal manager causes a meter not to register the services used properly, and the person shall furthermore be charged for usage of electricity or water, as the case may be.

26. Transitional provision

- (1) A person who has been the owner of property within the Municipality before the commencement of this policy must within a period determined by the municipality, after the commencement of this policy, enter into a new service agreement with the municipality in terms of which such owner undertakes to be solely responsible for any municipal charges relating to each of such owner's properties failing which the supply of services to the property may be discontinued or restricted.
- (2) A lessee of a premises who consumes services provided by the Municipality before the commencement of this policy must within a period determined by the municipality, after the commencement of this policy, enter into a new service agreement with the municipality in terms of which such lessee undertakes to be solely responsible for any municipal charges relating to each of such properties leased, failing which the supply of services to the property may be discontinued or restricted.

27. Short title and commencement

This Policy may be cited as the Umsobomvu Municipality Customer Care, Credit Control and Revenue Management Policy, and commences on the date of approval and or amendment by Council.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	../../2018	dd	.. May 2018

DRAFT



INDIGENT POLICY

P R E A M B L E

Whereas section 96 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) requires a municipality to adopt, maintain and implement a credit control, debt collection and customer care policy;

And whereas section 97 of the Systems Act prescribes that such policy must provide for “provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents.”

Now therefore the Municipal Council of the Municipality of Umsobomvu adopts the Indigent Policy as set out in this document:-

TABLE OF CONTENTS

1	DEFINITIONS	4
2	OBJECTIVES OF POLICY	5
3	PRINCIPLES OF POLICY	5
4	CRITERIA FOR INDIGENT HOUSEHOLDS	5
5	SUBSIDY	6
6	APPLICATION FOR A SUBSIDY	7
7	PUBLICATION OF NAMES OF QUALIFYING APPLICANTS	7
8	FALSE INFORMATION	7
9	LOCAL AUDIT (VERIFICATION)	8
10	DURATION OF SUBSIDY	8
11	CURRENT AMOUNTS IN ARREARS	8
12	REGISTER	8

UMSOBOMVU MUNICIPALITY – INDIGENT POLICY

1 DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:-

“Indigent” This is a household which, due to a number of factors as set out in par. 2, is not financially capable of paying for the delivery of Basic Services – including poor households.

“Household” This includes all persons who are jointly living on a stand or site on a permanent basis and who receive water and/or electricity from one meter

“authorised representative” the person or instance legally appointed by the Council to act or to fulfil a duty on its behalf

“basic service” The amount or level of any municipal service that is necessary to ensure human dignity and a reasonable quality of life and which, if not provided, could endanger public health or safety of the environment and for the purposes of this Policy are restricted to electricity, refuse, sewerage and water services. It is also to be understood that the national norms will be used as guidelines for the determination of the amount/level of the services;

“Chief Financial Officer” An officer of the Municipality appointed as the Head of the Finance Department and includes any person:-

- a) acting in such position; and
- b) to whom the Chief Financial Officer has delegated a power, function or duty in respect of such a delegated power, function or duty;

“Council” or “municipal council” A municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Municipality of Umsobomvu;

“customer” Any occupier of any property to which the has agreed to supply services or already supplies services to, or if there is no occupier, then the owner of the property;

“defaulter” A person who owes money to in respect of a municipal account after the due date for payment has expired;

“interest” A levy with the same legal priority as service fees and calculated on all amounts in arrears in respect of assessment rates and service levies at a standard rate as determined by the Municipality.

“Municipality” The institution that is responsible for the collection of funds and the provision of services to the customers of Umsobomvu;

“municipal account” or “billing” The proper and formal notification by means of a statement of account, to persons liable for monies levied and indicating the net accumulated balance of the account, specifying charges levied by the Municipality, or any authorised and contracted service provider, in the format of, but not limited to

“the Act” The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time

2 OBJECTIVES OF POLICY

2.1 The objectives of this Policy are to:-

- 2.1.1 Provide a framework within which the Municipality can exercise its executive and legislative authority with regard to the implementation of financial aid to indigent and poor households in respect of their municipal account;
- 2.1.2 Determine the criteria for qualification of indigent and poor households;
- 2.1.3 Ensure that the criteria is applied correctly and fairly to all applicants;
- 2.1.4 Allow the Municipality to conduct in loco visits to the premises of applicants to verify the actual status of the household ;
- 2.1.5 Allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies.

3 PRINCIPLES OF POLICY

- 3.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for making of policy, while it is the responsibility of the Municipal Manager to ensure the execution of this policy;
- 3.2 All applicants must complete an official application form, which is to be submitted together with the supporting documents as specified in this policy;
- 3.3 Application forms, agreements and documents relating to this Policy must be available in Afrikaans and English. Officials designated to control and manage these documents must be able to explain the contents thereof in the three languages of the Northern Cape;
- 3.4 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.

4 CRITERIA FOR INDIGENT HOUSEHOLDS

- 4.1 To qualify as an indigent household, a household must comply with the following criteria:-
 - 4.1.1 A household which has a verified total household gross monthly income of less than R2 000.00 per month.
 - 4.1.2 State pensioners living together will be classified as indigent and shall qualify for 100% subsidy subject to the completion of the relevant documentation.
 - 4.1.3 Must be a permanent resident of Umsobomvu.

4.1.4 Must be a South African citizen.

4.1.5 Indigent households will be required to change from credit metering for electricity consumption to a pre –paid metering system which conversion costs will be funded from the equitable share, subject to the availability of funds.

4.1.6 The municipality will not grant indigent support to any applicant who:

4.1.7 Owns more than one property;

4.1.8 Is letting, renting out or leasing his/her property to someone and derives an income from the renting, letting or leasing.

4.1.9 Must agree that the supply of water to the particular premises can be restricted by means of a flow control washer, or any other means as the Council may determine from time to time.

5 SUBSIDY

The subsidies below will be funded from the “equitable share” contribution received from National Treasury. The subsidies will only be granted to qualifying households to the extent that the abovementioned funds are available for allocation. The subsidy amount allocated will be calculated and rounded off to the nearest lower R1, and will be paid into the consumer’s municipal account every month and be indicated as such on the account.

5.1 Indigent households will receive the following per month as qualified above:

A subsidy of:

- 100% of the basic levy for electricity for one service point per month;
- 100% of the basic levy for water per month;
- 100% of the basic levy for sewerage per month for one service point;
- 100% of the basic levy for refuse removal for one service point per month;
- 100% of the basic levy for garden refuse removal;
- 6 kℓ of water;
- 50 kWh of electricity;

5.2 Indigent households who are living on un-serviced erven will receive the following per month as qualified above:

A subsidy of 5ℓ paraffin, 1 box of matches and 1 pack of candles;

5.3 In the event that the indigent support per month does not cover the full monthly billed service account, the applicant shall be liable to pay the excess, failing which the subsidy will be discontinued and services will be cut and or restricted.

6 APPLICATION FOR A SUBSIDY

- 6.1 The account holder must apply in person at a customer care office of the Municipality on the prescribed application form.
- 6.2 The following items must accompany the application:-
 - 6.2.1 The latest municipal account of the household;
 - 6.2.2 Proof of the account holder's identity;
 - 6.2.3 Proof of income of the account holder (e.g. a letter from his/her employer, salary slip/envelope, pension card, unemployment insurance fund (UIF) card, or a certificate to confirm registration as a job-seeker);
 - 6.2.4 Proof of medical condition when requiring additional water and electricity. Should the account holder be unable to apply in person, due to medical reasons, his/her application may be certified by a commissioner of oaths, preacher/pastor of church or a community worker. The applicant must complete the sworn statement that forms part of the application form. Failure to do so will render the application invalid.
 - 6.2.5 The applicant must fill out and sign an application form and provide the information required on the form.
 - 6.2.6 All recipients of indigent support shall be required to re-apply for subsidy once a year. Such applications shall reach the Chief Financial Officer at least six months before the beginning of a financial year;
 - 6.2.7 All applications for indigent support shall be screened by the respective Ward Councillor for any irregularities and shall sign all applications having passed the criteria.
 - 6.2.8 A Councillor may not approve any applications for indigent support.

7 PUBLICATION OF NAMES OF QUALIFYING APPLICANTS

The applicant must grant permission for the Municipality to publish his/her name and address on a list of account holders receiving subsidies in terms of this policy. Any person may inspect or scrutinize the list at a Customer Care Office and inform/notify the Municipality of any person who, according to their true circumstances, should not be in receipt of a subsidy as envisaged in this policy.

8 FALSE INFORMATION

- 8.1 An applicant for indigent support will be required to submit a sworn affidavit certifying that the information supplied are true and correct.

- 8.2 A person who provides false information will be disqualified and be refused further participation in the subsidy scheme. In addition, he/she will be held liable for the immediate re-payment of any subsidies already granted and legal action, civil or criminal may be instituted against the guilty party(ies).

9 LOCAL AUDIT (VERIFICATION)

- 9.1 The Municipality reserves the right to send officials and/or representatives of the Municipality to the household or site of the applicant(s) at any reasonable time, with the aim of carrying out a local verification of the accuracy of the information provided by the applicant(s). Such audit will be conducted on a continuous basis.
- 9.2 Failure by a beneficiary of indigent support to allow officials of the municipality access to the premises and information will result in the disqualification of the beneficiary from indigent support.

10 DURATION OF SUBSIDY

- 10.1 Indigent support will be granted on a monthly basis, **except** where the beneficiary's circumstances have changed to the extent that he/she no longer qualifies or when the budgeted amount has been depleted.
- 10.2 If the municipality obtains information that indicates that the circumstances of the applicant have changed to such an extent that he/she no longer qualifies for the subsidy, the Municipality reserves the right to suspend the subsidy. If any of the criteria, as set out in this policy, is not complied with any more, there is an onus on the recipient of the subsidy to notify the Municipality within **seven (7) days** after such criteria is no longer complied with. If a recipient cannot write, a designated official must be informed in person.

11 CURRENT AMOUNTS IN ARREARS

- 11.1 Applicants, whose municipal accounts show arrear amounts at the time of the application for a subsidy, will have to make arrangements with the Municipality for paying off the amounts in arrears.
- 11.2 Assistance may be considered for arrears for indigent households subject to the availability of funds.

12 REGISTER

The Municipality will complete a register of households that qualify as "indigent". The register will be continually updated and reconciled with the relevant subsidy account in the general ledger on a monthly basis.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	../../2018	dd	.. May 2018

A.C. MPELA

MUNICIPAL MANAGER

DELEGATION FRAMEWORK FOR MUNICIPALITIES

DUTIES OF MUNICIPAL COUNCIL

Section of MFMA	Power/duty conferred	Applicable conditions	DELEGATIONS	
			FROM	TO
7(1)	Deciding to open a bank account for the Municipality.		Council	Accounting Officer
	Deciding at which bank/banks to open a bank account.	Subject to section 8(2) of the MFMA	Council	Accounting Officer
	Deciding to close a bank account.	Section 10(1)(B) of the MFMA	Council	Accounting Officer
7(2)	Determining into which bank account money collected or received by the Municipality must be deposited.	See section 48(2)(d) of the MFMA	Council	Accounting Officer
8(1)	Designating a bank account of the Municipality as the Municipality's primary bank account.	Section 62(2) of the MFMA	Council	Accounting Officer
8(3)	Determining the reasonable steps to be taken to ensure that the prescribed money received is paid into the Municipality's primary bank account.	Section 62(2) of the MFMA	Council	Accounting Officer
8(4)	Entering into an agreement with other parent municipalities of a municipal entity of which the Municipality is a parent municipality, as to which Municipality's primary bank account to use for the purpose of receiving allocations from organs of state to the municipal entity concerned.		Council	Accounting Officer
12(2)	Deciding to open a separate bank account in the name of the Municipality for the purpose of a relief, charitable, trust or other fund.	Section 12(1) of the MFMA	Council	Accounting Officer
13(2)	Establishing an appropriate and effective cash management and investment policy for the Municipality.	NOTE: In terms of section 60(2) of the Municipal Systems Act 2000 the Council may only delegate to the Executive Mayor or The Chief Financial Officer the authority to make decisions to make investments on behalf of the Municipality	Municipal Council (The MC must approve the policies for implementation by the Accounting Officer and Senior Management)	Accounting Officer
14(2)	Deciding to transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset.	On condition that the asset concerned is not needed to provide the minimum level of basic municipal services and the Council considered the fair market value of the asset concerned	Municipal Council	Accounting Officer
14(2)(a)	Deciding, at a meeting open to the public and on reasonable grounds, that an asset of the Municipality is not needed to provide the minimum level of basic municipal services.	Only in respect of movable capital assets below a value determined by the Council	Municipal Council	Accounting Officer
14(2)(b)	Considering the fair market value of an asset to be disposed of and the economic and community value to be received in exchange for an asset to be disposed of	Only in respect of movable capital assets below a value determined by the Council	Municipal Council	Accounting Officer
14(4)	Determining the value of movable assets in respect of which the Municipal Manager may determine –	A municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in subsection (2)(a) and (b) in respect of movable capital assets below a value determined by the council.	Municipal Council	Accounting Officer
	(a) whether an asset to be disposed of is not needed to provide the minimum level of basic municipal services; and (b) determining the fair market value of such asset and the economic and community value to be received in exchange for the asset		Municipal Council	Accounting Officer
16(1)	Approval of an annual budget	NOTE: 1. In terms of section 160(2)(b), read with section 160(3)(b) of the Constitution a budget must be approved by a decision taken by the Municipal Council with a supporting vote of a majority of its members.	Municipal Council	N/A
		2. Approval of the budget must be considered on or before 1 June each year in terms of section 24(1) of the MFMA.	Municipal Council	N/A

		3. In terms of section 30(5) of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998) the Council may only after it received and considered the report and recommendations of the Executive Mayor regarding the annual budget, approve the budget	Municipal Council	N/A
		4. See section 25(1) of the MFMA	Municipal Council	N/A
16(3)	Deciding whether money for capital expenditure for a period not exceeding three financial years may be appropriated in an annual budget	A separate appropriation must be made for each of financial year	Municipal Council	Accounting Officer
19(1)(b)	Approving a capital project, including its total cost		Municipal Council	N/A
19(1)(d)	Considering the sources of funding of a capital project		Municipal Council	Accounting Officer
19(2)	Considering, in respect of a capital project, the projected cost covering all financial years until the project is operational and the future operational costs and revenue on the project, including municipal tax and tariff implications.		Municipal Council	N/A
19(3)	Deciding to approve capital projects below the prescribed value individually or as part of a consolidated capital programme		Municipal Council	N/A
23(1)	Receiving and considering the views of the communities and organs of state received in connection with the budget		Municipal Council	N/A
23(2)	Deciding to give the Mayor an opportunity to respond to any submissions received in connection with the budget from communities and organs of state		Municipal Council	N/A
28(1)	Deciding to revise an approved budget by way of an adjustments budget		Municipal Council	N/A
32(2)	Deciding to recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure	Except, in the case of –		
		1. unauthorised expenditure, if the amount of the expenditure is authorised in an adjustments budget; or	Municipal Council	N/A
		2. is certified by the Council, after investigation by a Council committee, as irrecoverable and written off by the Council; and	Municipal Council	N/A
		3. irregular or fruitless and wasteful expenditure is, after investigation by a Council committee, certified by the Council as irrecoverable and written off by the Council	Municipal Council	Accounting Officer
32(2)	Determining the amount of unauthorised, irregular or fruitless and wasteful expenditure to be recovered, written off or provided for in an adjustments budget		Municipal Council	Accounting Officer
32(2)	Identifying the identity of the person who is liable for unauthorised, irregular or fruitless and wasteful expenditure.	section 62(1)(e)	Council	Accounting Officer
32(2)	Appointing a committee to investigate any suspected or reported unauthorised, irregular or fruitless and wasteful expenditure	NOTE: In terms of the judgements of the Courts in the cases of <u>The Democratic Alliance and another v Amos Masondo and another</u> (WLD) (Case No 01/9260) (2001) and <u>Democratic Alliance and Another v Amos Masondo N O and the Minister of Provincial and Local Government</u> (CC) (Case No CCT 29/02) a mayoral committee was found not to be a committee of a municipal council. The Council may therefore not appoint the Mayoral Committee to perform such an investigation	Municipal Council	Mayor
32(7)	Determining whether an alleged irregular expenditure incurred by the Municipal Manager constitutes a criminal offence		Municipal Council	N/A
	Determining whether the Municipal Manager allegedly committed an act of theft and fraud		Municipal Council	Mayor
	Reporting alleged irregular expenditure incurred by the Municipal Manager that constitutes a criminal offence and alleged theft and fraud perpetrated by the Municipal Manager to the SAPS		Municipal Council	N/A
33(1)	Deciding to enter into a contract which will impose financial obligations on the municipality beyond a financial year.		Council	N/A
34(1)	Entering into an agreement with the national or provincial government to assist the Municipality to build its capacity for efficient, effective and transparent financial management.		Council	Accounting Officer

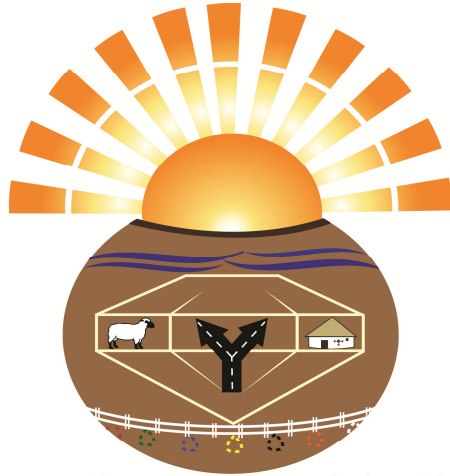
34(3)(a)	Considering the results of the provincial government's monitoring of the Municipality.		Council	Accounting Officer
34(3)(b)	Considering a notification of the provincial government of any emerging or impending financial problems in the Municipality.		Council	Mayor
37(1)(a)	Determining the steps the Municipality must take to promote co-operative government with the national and provincial spheres of government and other municipalities in the Municipality's fiscal and financial relations.		Council	Accounting Officer
38(2)	Considering a notice received from the National Treasury of its intention to stop the transfer of funds to the Municipality.		Council	Mayor
39(3)	Determining the deputation that will appear before a committee of Parliament considering the approval or renewal of a decision of the National Treasury to stop the transfer of funds to the Municipality		Municipal Council	Mayor
	Determining the case that will be presented to a committee of Parliament considering the approval or renewal of a decision of the National Treasury to stop the transfer of funds to the Municipality		Municipal Council	Mayor
45(1)	Deciding whether to incur short term debt.	1. In terms of section 160(2) of the Constitution the Council may not delegate the raising of loans	Council	N/A
		2. A decision to raise a loan must be taken by the Council with a supporting vote of a majority of its members in terms of section 160(3)(b) of the Constitution	Council	N/A
		3. In terms of section 30(5) of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998) the Council may only after it received and considered the report and recommendations of the Executive Mayor regarding a loan, approve the raising of a loan	Council	N/A
45(2)(a)	Approving any short term debt agreement		Municipal Council	
46(1)	Deciding whether to incur long term debt.	1. In terms of section 160(2) of the Constitution the Council may not delegate the raising of loans	Council	N/A
		2. A decision to raise a loan must be taken by the Council with a supporting vote of a majority of its members in terms of section 160(3)(b) of the Constitution	Council	N/A
		3. In terms of section 30(5) of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998) the Council may only after it received and considered the report and recommendations of the Executive Mayor regarding a loan, approve the raising of a loan	Council	N/A
46(2)(a)	Approving any long term debt agreement		Municipal Council	N/A
48(1)	Deciding whether to provide security for any of the Municipality's debt obligations, debt obligations of a municipal entity under its sole control and contractual obligations of the Municipality undertaken in connection with capital expenditure by other persons on property, plant or equipment to be used by the Municipality or such other person.		Municipal Council	N/A
48(2)	Deciding the form/nature of security to be provided for any of the Municipality's debt obligations, debt obligations of a municipal entity under its sole control and contractual obligations of the Municipality undertaken in connection with capital expenditure by other persons on property, plant or equipment to be used by the Municipality or such other person.		Council	N/A
48(3)(a)	Deciding whether an asset or right that has been hypothecated in any manner as security is necessary for providing the minimum level of basic municipal services		Municipal Council	N/A
48(3)(b)	Deciding, if an asset or right that has been hypothecated in any manner as security is necessary for providing the minimum level of basic municipal services, the manner in which the availability of the asset or right will be protected.		Council	N/A
50	Deciding to issue a guarantee for any commitment or debt of any organ of state, person or municipal entity under the sole or shared control of the Municipality		Municipal Council	N/A
	Deciding to grant exemptions from charging interest on any arrears owing to the Municipality in accordance with the Municipality's budget-related policies.	Subject to any prescripts in this regard	Council	

83(2)	Determining the resources or opportunities to be made available for the training of officials to meet the prescribed financial management competency levels.		Council	Accounting Officer
84(1a)	Determining precisely the function or service that a municipal entity would perform on behalf of the Municipality when considering the establishment of, or participation in, a municipal entity.		Council	Accounting Officer
84(2)(b)(i)	Considering an assessment of the impact of the shifting of a function or service to a municipal entity on the Municipality's staff, assets and liabilities when considering the establishment of, or participation in, a municipal entity.		Council	Accounting Officer
84(2)(b)(ii)	Considering the comments or representations received from the local community, organised labour and other interested persons in respect of the Municipality's intention to establish and/or participate in a municipal entity		Municipal Council	N/A
84(2)(b)(iii)	Considering the views and recommendations of the National Treasury and the provincial treasury, the national and provincial departments responsible for local government and the MEC responsible for local government in respect of the Municipality's intention to establish and/or participate in a municipal entity		Municipal Council	N/A
86(1)	Receiving information from a municipal entity of which the Municipality is the parent municipality regarding the entity's bank account(s).		Council	Accounting Officer
87(1)	Receiving a proposed budget for a municipal entity of which the Municipality is the parent municipality for each financial year.		Council	N/A
87(2)	Considering the proposed budget of a municipal entity of which the Municipality is the parent municipality and assessing the entity's priorities and objectives		Municipal Council	Accounting Officer
	Deciding to make recommendations on the proposed budget of a municipal entity of which the Municipality is the parent municipality		Municipal Council	Accounting Officer
87(5)(c)	Determining the limits, including any limits on tariffs, revenue, expenditure and borrowing, on the budget of a municipal entity of which the Municipality is the parent municipality.		Council	Accounting Officer
88(b)(ii)	Receiving and considering a mid-year performance assessment report of a municipal entity of which the Municipality is the parent municipality.		Council	Accounting Officer
89(a)	Determining the upper limits of the salary, allowances and other benefits of the chief executive officer and senior managers of a municipal entity of which the Municipality is the parent municipality.		Council	N/A
89(b)	Monitoring and ensuring that a municipal entity of which the Municipality is the parent municipality reports to the Municipal Council on all expenditure incurred by that municipal entity on directors and staff remuneration matters, and in a manner that discloses such expenditure per type of expenditure		Municipal Council	Accounting Officer
	Considering an application from a municipal entity of which the Municipality is the parent municipality to transfer ownership or otherwise dispose of a capital asset other than an asset needed to provide the minimum level of basic municipal services	The power must be exercised in a meeting which is open to the public at which the Council –	Council	N/A
		(a) must determine on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and	Council	
		(b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset	Municipal Council	N/A
			Municipal Council	
90(4)	Deciding to delegate to the Municipal Manager the power to determine on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services and the fair market value of the asset and the economic and community value to be received in exchange for the asset in respect of movable capital assets of a municipal entity of which the Municipality is the parent municipality below a value determined by the Council		Municipal Council	N/A
	Determining the value of movable capital assets of a municipal entity of which the Municipality is the parent municipality in respect of which the Municipal Manager may on reasonable grounds decide that the asset is not needed to provide the minimum level of basic municipal services and the fair market value of the asset and the economic and community value to be received in exchange for the asset		Municipal Council	Accounting Officer
97(3)	Receiving a report of the accounting officer of a municipal entity of which the Municipality is the parent municipality regarding any payments due by an organ of state to the entity in respect of service charges, if such payments are regularly in arrears for periods of more than 30 days..		Council	Accounting Officer
101(1)	Receiving a report of the accounting officer of a municipal entity of which the Municipality is the parent municipality on any financial problems of the entity.		Council	Accounting Officer
104(1)(b)	Deciding which information, returns, documents, explanations and motivations to require from the accounting officer of a municipal entity of which the Municipality is the parent municipality.		Council	Accounting Officer
109	Deciding, when a municipal entity of which the Municipality is the parent municipality, experiences serious or persistent financial problems and the board of directors of the entity fails to act effectively –.		Council	N/A

	(a) the appropriate steps to be taken in terms of the Municipality's rights and powers over the entity concerned, including its rights and powers in terms of any relevant service delivery or other agreement;		Council	N/A
	(b) impose a financial recovery plan, which meets the criteria set out in section 142 of the MFMA; or.		Council	N/A
	(c) liquidate and disestablish the entity.		Municipal Council	Accounting Officer
111	Making and implementing a supply chain management policy for the Municipality.	Subject to the content requirements in terms of section 112(1) of the MFMA	Council	CFO
113(1)	Deciding whether to consider an unsolicited bid received outside the Municipality's normal bidding process.		Council	Accounting Officer
116(3)	Considering the reasons for the proposed amendment of a contract or agreement and any representation that may have been received regarding the proposed amendment of a contract or an agreement procured through the supply chain management policy of the Municipality and deciding whether to consent to the amendment of the contract or agreement.		Council	N/A
116(3)	Considering the reasons for the proposed amendment of a contract or agreement and any representation that may have been received regarding the proposed amendment of a contract or an agreement procured through the supply chain management policy of a municipal entity of which the Municipality is a parent municipality and deciding whether to consent to the amendment of a contract or agreement.		Council	N/A
119(2)	Determining the resources or opportunities to be made available for the training of officials involved in the implementation of the supply chain management policy of the Municipality to meet the prescribed competency levels.		Council	CFO
120(1)	Deciding to enter into a public-private partnership agreement.		Council	N/A
120(1)(a)	Determining whether a proposed public-private partnership agreement will provide value for money to the municipality.		Council	N/A
120(1)(b)	Determining whether a proposed public-private partnership agreement will be affordable for the Municipality.		Council	N/A
120(1)(c)	Determining whether a proposed public-private partnership agreement will transfer appropriate technical, operational and financial risk to the private party.		Council	N/A
120(4)	Deciding to conduct a feasibility study before a public-private partnership is concluded.		Council	Accounting Officer
120(5)	Determining whether to apply for the national government's assistance in carrying out and assessing a feasibility study regarding a proposed public-private partnership.		Council	N/A
121(1)	Preparing an annual report for the Municipality.		Council	Accounting Officer
121(4)(f)	Determining any additional information to be contained in the annual report of a municipal entity of which the Municipality is a parent municipality.		Council	Accounting Officer
126(2)(a)	Receiving the financial statements of municipal entity over which the Municipality has sole control or effective control (if it is a private company).		Council	Accounting Officer
126(4)	Receiving a report outlining the reasons for the delay from the Auditor-General if she/he is unable to complete an audit within three months after submission of the Municipality's annual financial statements and any consolidated annual financial statements of the Municipality and of a municipal entity over which the Municipality has sole control or effective control (if it is a private company).		Council	N/A
			Council	N/A
129(1)	Considering the annual report of the Municipality and of any municipal entity under the Municipality's sole or shared control Adopting an oversight report containing the Council's comments on the annual report(s)		Municipal Council	N/A
129(5)	Deciding whether to adopt guidelines issued by the National Treasury on the manner in which councils should consider annual reports and conduct public hearings and the functioning and composition of any public accounts or oversight committees established by a council to assist it to consider an annual report		Municipal Council	N/A
133(c)(i)	Deciding whether to request the Speaker or another councillor to investigate the reasons for the failure of the Municipal Manager or of the accounting officer of a municipal entity under the Municipality's sole or shared control to submit annual financial statements to the Auditor-General or the Executive Mayor's failure to table the annual report of the Municipality or a municipal entity in the Council		Municipal Council	N/A
	Receiving the report of the appointed councillor regarding the failure of the Municipal Manager or of the accounting officer of a municipal entity under the Municipality's sole or shared control to submit annual financial statements to the Auditor-General or the Executive Mayor's failure to table the annual report of the Municipality or a municipal entity in the Council			
133(c)(ii)	Determining the appropriate steps to be taken to ensure that the financial statements are submitted to the Auditor-General or that the annual report, including the financial statements and the audit report on those statements, is tabled in the Council, as the case may be.		Municipal Council	N/A

133(c)(iii)	Deciding whether disciplinary steps should be taken against the Municipal Manager or other persons responsible for the failure of the Municipal Manager or of the accounting officer of a municipal entity under the Municipality's sole or shared control to submit annual financial statements to the Auditor-General or the Executive Mayor's failure to table the annual report of the Municipality or a municipal entity in the Council		Municipal Council	N/A
135(3)	Considering whether the Municipality is, or is likely to, encounter a serious financial problems in meeting its financial commitments		Municipal Council	Mayor
135(3)(a)	Determining the manner of seeking solutions to any serious financial problem in meeting its financial commitments experienced or anticipated by the Municipality Defining the solutions to be implemented to solve or avoid any serious financial problem in meeting its financial commitments experienced or anticipated by the Municipality		Municipal Council	Mayor
135(3)(b)	Informing the MEC responsible for local government and the MEC responsible for finance of any serious financial problem in meeting its financial commitments experienced or anticipated by the Municipality		Municipal Council	Mayor
135(3)(c)	Notifying organised local government of any serious financial problem in meeting its financial commitments experienced or anticipated by the Municipality		Municipal Council	Mayor
137(2)	Receiving an assessment of the seriousness of the financial problem in the Municipality, the determination of the provincial executive whether the financial problem experienced by the Municipality, singly or in combination with other problems, is sufficiently serious or sustained that the Municipality would benefit from a financial recovery plan and the request to a suitably qualified person to prepare and submit a financial recovery plan for the Municipality		Municipal Council	Speaker of council
	Receiving a copy of the Municipal Financial Recovery Service's determination of the reasons for the crisis in the Municipality's financial affairs and assessment of the Municipality's financial state		Municipal Council	Speaker of council
141(3)(a)	Participating in consultations with the person or body appointed to prepare a financial recovery plan or an amendment of such plan for the Municipality.		Council	Accounting Officer
144(2)			Council	Accounting Officer
141(3)(c)	Commenting on a draft financial recovery plan or an amendment to such plan for the Municipality.		Council	Accounting Officer
144(2)			Council	Accounting Officer
143(3)(a)	Receiving an approved financial recovery plan for the Municipality		Municipal Council	Speaker of council
145(1)(a)	Implementing an approved financial recovery plan for the Municipality			
146(1)(a)			Municipal Council	Accounting Officer
145(1)(b)	Reporting monthly to the MEC for local government on the implementation of the approved financial recovery plan for the Municipality		Municipal Council	Accounting Officer
147(1)(b)	Receiving progress reports and a final report on any intervention from the MEC for local government or the MEC responsible for finance		Municipal Council	Speaker of council
148(1)(b)(i)	Declaring the Municipality's willingness to fulfil the executive obligation in terms of legislation or the Constitution that gave rise to any discretionary intervention in the Municipality		Municipal Council	N/A
148(3)(a)	Receiving a notification that an intervention in the Municipality has ended		Municipal	Speaker of council
152(1)	Deciding to apply to the High Court for an order to stay all legal proceedings, including the execution of legal process, by persons claiming money from the Municipality if the Municipality is unable to meet its financial commitments		Municipal Council	Accounting Officer
153(1)(a)	Deciding to apply to the High Court for an order to stay, for a period not exceeding 90 days at a time, all legal proceedings, including the execution of legal process, by persons claiming money from the Municipality		Municipal Council	Accounting Officer
153(1)(b)	Deciding to apply to the High Court for an order to suspend the Municipality's financial obligations to creditors, or any portion of those obligations, until the Municipality can meet those obligations		Municipal Council	Accounting Officer
153(1)(b)	Deciding to apply to the High Court for an order to terminate the Municipality's financial obligations to creditors, and to settle claims in accordance with a distribution scheme referred to in section 155 of the MFMA		Municipal Council	Accounting Officer
165(1)	Deciding whether to establish an internal internal audit unit or to outsource the internal audit function.		Council	Accounting Officer
166(1) and (6)	Deciding whether to establish an internal audit committee for – (a) the Municipality only; or (b) the Municipality and the local municipalities within the district municipal area; or (c) the Municipality and any municipal entity under its sole control.		Council Council Council	Accounting Officer Accounting Officer Accounting Officer
166(2)	Receiving reports of the audit committee		Municipal Council	Accounting Officer
166(2)(d)	Requesting the audit committee to investigate the financial affairs of the Municipality or a municipal entity of which the Municipality is a parent		Municipal Council	Mayor
166(4)	Determining the number of members of the audit committee		Municipal Council	Accounting Officer

	Determining the nature of the appropriate experience that persons should possess to be considered for appointment as a member of the audit committee		Municipal Council	Accounting Officer
166(5)	Appointing the members of the audit committee of the Municipality and of a municipal entity of which the Municipality is a parent municipality Appointing from amongst the members of an audit committee who is not in the employ of the Municipality or municipal entity a chairperson		Municipal Council	Accounting Officer
168(3)	Considering any guidelines issued by the Minister of Finance in terms of section 168(1) of the MFMA		Municipal Council	Accounting Officer
171(4)(a)	Investigating any allegations of financial misconduct against the Municipal Manager, the Chief Financial Officer, a senior manager or other official of the Municipality unless those allegations are frivolous, vexatious, speculative or obviously unfounded Deciding whether an allegation of financial misconduct against the Municipal Manager, the Chief Financial Officer, a senior manager or other official of the Municipality is frivolous, vexatious, speculative or obviously unfounded.		Municipal Council	Mayor
171(4)(b)	Deciding whether an investigation of an allegation of financial misconduct against the Municipal Manager, the Chief Financial Officer, a senior manager or other official of the Municipality revealed anything that warrants the institution of disciplinary proceedings.	Any disciplinary proceedings must be conducted in terms of the relevant collective agreement	Council	Mayor
176(2)	Deciding to recover from a political office-bearer or official of the Municipality any loss or damage suffered by it because of the deliberate or negligent unlawful actions of that political office-bearer or official when performing a function of office.		Council	N/A
178(2)(a)	Submitting to the National Treasury a list of all corporate entities in which the Municipality or a municipal entity under its sole or shared control has an interest.		Council	Accounting Officer
178(2)(b)	Submitting to the National Treasury a list of all public-private partnerships to which the Municipality is a party, with a value of more than one million Rands in total or per annum.		Council	Accounting Officer
178(2)(c)	Submitting to the National Treasury a list of all other types of contracts of the Municipality for a period beyond 1 January 2007 and with a value of more than one million Rands in total or per annum.		Council	Accounting Officer



Umsobomvu Municipality
Continuously Rising

PROPERTY RATES POLICY

(Wording in bold and underlined – new inclusions)
(Wording in bold and [] brackets – text to be removed)

UMSOBOMVU MUNICIPALITY **PROPERTY RATES POLICY**

TABLE OF CONTENTS.

1. LEGISLATIVE CONTEXT
2. DEFINITIONS
3. POLICY PRINCIPLES
4. SCOPE OF THE POLICY
5. APPLICATION OF THE POLICY
6. CLASSIFICATION OF SERVICES AND EXPENDITURE
7. CATEGORIES OF RATEABLE PROPERTIES
8. CATEGORIES OF OWNERS
9. PROPERTIES USED FOR MULTI PURPOSES
10. DIFFERENTIAL RATING
11. EXEMPTIONS
12. REDUCTIONS
13. REBATES
14. COSTS TO THE MUNICIPALITIES DUE TO EXEMPTIONS,
REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE
BENEFIT THEREOF
15. RATES INCREASES
16. NOTIFICATION OF RATES
17. PAYMENT OF RATES
18. REGULAR REVIEW PROCESSES
19. PHASING IN OF RATES
20. LIABILITY FOR AND RECOVERY OF RATES
21. RECOVERY OF RATES IN ARREARS
22. REGISTER OF PROPERTIES
23. COMMENCEMENT AND PERIOD OF RATES

1. **LEGISLATIVE CONTEXT.**

- 1.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 1.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), a municipality may impose rates on property.
- 1.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) a municipality in accordance with-
 - (a) Section 2(1), may levy a rate on property in its area; and
 - (b) Section 2(3), must exercise its power to levy a rate on property subject to:
 - (i) Section 229 and any other applicable provisions of the Constitution;
 - (ii) the provisions of the Property Rates Act; and
 - (iii) the rates policy.
- 1.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on properties.
- 1.5 In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the Municipal Manager must ensure that the municipality has and implements a rates policy.

2. **DEFINITIONS.**

“**Act**”, means the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004);

“**agent**” , in relation to the owner of a property-

- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
- (b) to make payments in respect of the property on behalf of the owner;

“**agriculture[purpose] property**”, [in relation to the use of a property, excludes the use of a property] means a property that is used primarily for agricultural purposes, without derogating from section 9, excludes any portion thereof that is commercially for the hospitality of guests, and

excludes the use of [a] the property for eco-tourism or for trading in or hunting of game;

“annually”, means once every financial year;

“appeal board”, means a valuation board established in terms of section 56 of the Act;

“category-

(a) in relation to property, means a category of properties determined in terms of section 8 of the Act;

(b) in relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Act;

“category of properties”, means a category of properties determined according to the zoning, use of the property, permitted use of the property, or the geographical area in which the property is situated;

“Council” means the highest legislative body of Umsobomvu Municipality as referred to in section 157(1) of the Constitution and section 18(3) of the Local Government: Municipal Structures Act, 1998 (Act 117 Of 1998);

“date of valuation”, for the purposes of a general valuation, means the date to be determined by the municipality, which date may not be more than 12 months before the start of the financial year in which the valuation roll is to be implemented;

“day” means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and excluding the last day, unless the last day falls on a Saturday, Sunday or any public holiday, in which case the number of day must be reckoned by excluding the first day and also any Saturday, Sunday or public holiday.

“ district municipality” means a municipality that has executive and legislative authority in an area that includes more than one municipality, and is described in section 155(1) of the Constitution as a category C municipality;

“economic service”, means services for which the tariffs are fixed to recover the full cost of the service, for example refuse and sewerage services;

“ effective date”-

(a) in relation to a valuation roll, means the date on which the valuation takes effect, in terms of section 32(1) of the Act, or

(b) in relation to a supplementary roll, means the date on which a supplementary roll takes effect and in terms of section 78(b) of the Act;

“exemption”, in relation to the payment of a rate, means an exemption from the payment of rates, granted by a municipality in terms of section 15 of the Act;

“financial year”, means the period starting from 1 July in a year to 30 June the next year;

“land reform beneficiary” in relation to a property, means a person who-

- (a) acquired the property through-
 - (i) the Provision of Land and Assistance Act, 1993(Act 126 of 1993);
 - (ii) the Restitution of Land Rights Act, 1994(Act 22 of 1994);
- (b) holds the property subject to the Communal Property Associations Act, 1996(Act 28 of 1996); or
- (c) holds or acquires the property in terms of such other land tenure reform legislation as may be pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

“land tenure right”, means [an older right or a new order right] **a land tenure right** as defined in section1 of the [Communal Land Rights Act, 2004] **Upgrading of Land Tenure Rights Act, 1991 (Act 112 of 1991)**;

“local community”, in relation to a municipality-

- (a) means that body of persons comprising-
 - (i) the residents of a municipality;
 - (ii) the ratepayers of the municipality;
 - (iii) any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and
 - (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality;

- (b) includes more specifically, the poor and other disadvantaged sections of such bodies of persons;

“local municipality”, means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

“mining property” means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002) Act 28 of 2002)

“market value”, in relation to a property, means the amount a property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer;

“MEC” for local government, means a member of the Executive Council of a province who is responsible for local government in that province;

“multiple purposes”, in relation to a property, means the use of a property for more than one purpose, **subject to Section 9 of the Act**;

“Municipal Manager”, means a person appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

“municipality” means the Umsobomvu Municipality;

“Municipal Finance Management Act” means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“municipal valuer” or “valuer of a municipality”, means a person designated as a municipal valuer in terms of section 33(1) of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004);

“newly rateable property”, means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Property Rates Act took effect, excluding:

- (a) a property which was incorrectly omitted from the valuation roll and for that reason was not rated before that date; and
- (b) a property identified by the Minister by notice in the Gazette where phasing-in of a rate is not justified;

“ occupier”, in relation to a property, means a person in actual occupation of a property, whether or not that person has the right to occupy the property;

“office bearer” in relation to places of public worship, means –
(a) a portion of the property used for residential purposes; or
(b) one residential property, if the residential property is not located on the same property as the place of public worship, registered in the name of the religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.

“owner”-

- (a) in relation to a property, means a person in whose name ownership of the property is registered;
- (b) in relation to a right, means a person in whose name the right is registered;
- (bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act 1983 (Act 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Gazette Notice R327 of 24 February 1984;**
- (bB) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act 59 of 1980)**
- (bC) in relation to buildings, other immovable structures and infrastructure referred to in Section 17(1)(f), means the holder of the mining right or the mining permit**
- (c) in relation to a land tenure right, means a person in whose name the right is registered, or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure, means an organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”; provided that a person mentioned below may for the use of this Act be regarded by a municipality as the owner of the property in the following cases:
 - (i) a trustee. In the case of a property in a trust, excluding state trust land;
 - (ii) an executor or administrator, in the case of property in a deceased estate

- (iii) a trustee or liquidator, in the case of property in an insolvent estate or in liquidation;
- (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
- (v) a curator, in the case of a property in the estate of a person under judicial management;
- (vi) a person in whose name a usufruct or personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of property that is registered in the name of a municipality and is leased by it;
- (viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or**
- (viii) a buyer, the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of-

- (a) any restrictions imposed by-
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties; or
- (b) any alleviation of such restrictions.

“person” includes an organ of state.

“place of worship” means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –

- (a) registered in the name of the religious community;**
- (b) registered in the name of a trust established for the sole benefit of a religious community; or**
- (c) subject to a land tenure right;**

“property”, means-

- (a) immovable property registered in the name of a person including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted on terms of legislation ; or
- (d) public service infrastructure;

“property register”, means a register of properties referred to in section 23 of the Act;

“protected area”, refers to nature reserves, botanical gardens or national parks provided that the specific area/s is declared as a “Protected area” referred to in section 10 of the Protected Areas Act, 2003 (Act 57 of 2003);

“Protected Areas Act” means the National Environmental Management: Protected Areas Act, 2003 (Act 57 of 2003);

“publicly controlled”, means owned by or otherwise under the control of an organ of state including-

- (a) a public entity listed in the Public Finance Management Act, 1999 (Act 1 of 1999);
- (b) a municipality;
- (c) a municipal entity as defined in the Municipal Systems Act;

“public service infrastructure”, means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public road on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewerage scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a railway system;

- (f) communication towers masts, exchanges or lines forming part of a communication system serving the public;
- (g) runways [or] aprons **and the air traffic control unit** at national or provincial airports, **including the vacant land known as obstacle free zone surrounding these, which must be vacant for air traffic navigation;**
- (h) breakwater, sea walls, channels, basin, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights power, sewage or similar service of ports, or navigational aids comprising light houses, radio navigational aids, buoys, or other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way easements or servitudes in connection with infrastructure mention in paragraphs (a) to (j);

“public service purposes” in relation to the use of a property, means property owned and used by an organ of state as –

- (a) hospitals or clinics;**
- (b) schools, pre-schools, early childhood development centres, or further education and training colleges;**
- (c) national and provincial libraries and archives;**
- (d) police stations;**
- (e) correctional facilities;**
- (f) courts of law;**

but excludes property contemplated in the definition of “public infrastructure”

“rate”, means a municipal rate on property envisaged in section 229(1)(a) of the Constitution;

“rateable property”, means property on which a municipality may levy a rate, excluding property fully excluded from levying of rates;

“ratio” in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand re inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;

“ **rebate**”, in relation to a rate payable on a property, means discount granted in terms of the rate payable on the property;

“ **reduction**”, in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property at that lower amount;

“ **residential property**”, means a property included on a valuation roll in terms of section 48(2)(b) of the Act [as a residential property] **in respect of which the primary use or permitted use is for residential purposes without derogating from section 9;**

“**sectional titles unit**”, means a unit defined in section 1 of the Sectional Titles Act, 1986 (Act 95 of 1986);

“**specified public health benefit**”, means an activity listed as welfare and humanitarian, health care and education and development in Part 1 of the Ninth Schedule of the Income Tax Act;

“**state trust land**”, means land owned by the state in trust for persons communally inhabiting the land in terms of a traditional system of land tenure, land owned by the state over which land tenure rights were granted or land owned by the state which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act 22 of 1994);

“ **trading service**”, means a service for which the tariffs are fixed to yield a trading profit, for example electricity and water services;

all other terms are used within the context of the definitions contained in the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004).

3. POLICY PRINCIPLES.

- 3.1 Rates are levied in accordance with the Act as an amount in the Rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.
- 3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.

- 3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation.
- 3.4 The rates policy for the municipality is based on the following principles:
- (a) Equity: The municipality will treat all ratepayers with similar properties the same.
 - (b) Affordability: The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions or rebates.
 - (c) Sustainability: Rating of property will be implemented in a way that:
 - (i) it supports sustainable local government by providing stable and buoyant revenue source within the discretionary control of the municipality; and
 - (ii) supports local social economic development
 - (d) Cost efficiency.

Rates will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage removal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

4. SCOPE OF THE POLICY.

This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the applications of the various property rates are published in the Municipal Budget and the municipality's schedule of tariffs, which must be read in conjunction with this policy. This policy must also be read with the Tariff Policy of the municipality.

5. APPLICATION OF THE POLICY.

In imposing the rate in the Rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

6. CLASSIFICATION OF SERVICES AND EXPENDITURE.

- 6.1** The Municipal Manager or his/her nominee must, subject to the guidelines provided by the National Treasury and the budget of the municipality, make provision for the following classification of services:-
- (a) Trading services.
 - (i) Water
 - (ii) Electricity
 - (b) Economic services.
 - (i) Refuse removal.
 - (ii) Sewerage disposal.
 - (c) Community services.
 - (i) Air pollution
 - (ii) Fire fighting services
 - (iii) Local tourism
 - (iv) Municipal planning
 - (v) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
 - (vi) Storm-water management system in built-up areas.
 - (vii) Trading regulations
 - (viii) Fixed billboards and the display of advertisements in public places
 - (ix) Cemeteries
 - (x) Control of public nuisances
 - (xi) Control of undertakings that sell liquor to the public
 - (xii) Township development
 - (xiii) Facilities for accommodation, care and burial of animals
 - (xiv) Fencing and fences
 - (xv) Licensing of dogs
 - (xvi) Licensing and control of undertakings that sell food to the public
 - (xvii) Local amenities
 - (xviii) Local sport facilities
 - (xix) Municipal parks and recreation
 - (xx) Municipal roads
 - (xxi) Noise pollution
 - (xxii) Pounds
 - (xxiii) Public places
 - (xxiv) Street trading/street lighting
 - (xxv) Traffic and parking
 - (xxvi) Building control
 - (xxvii) Licensing of motor vehicles and transport permits
 - (xxviii) Nature reserves
 - (xxix) Forestry
 - (d) Subsidised services.

- (i) Health and ambulance.
- (ii) Libraries and museums.
- (iii) Proclaimed roads.

6.2 Trading and economic services must be ring-fenced and financed from service charges while community and subsidised services will be financed from profits on trading and economic services, regulatory fees, rates and rates related income.

6.3 **Expenditure** will be classified in the following categories:

- (a) Salaries, wages and allowances
- (b) Bulk purchases
- (c) General expenditure
- (d) Repairs and maintenance
- (e) Capital charges (interest and redemption)/depreciation
- (f) Contribution to fixed assets
- (g) Contribution to funds
 - (i) bad debts.
 - (ii) working capital; and
 - (iii) statutory funds.
- (h) Contribution to reserves.
- (i) Gross expenditure.
- (j) Less charge-out.
- (k) Net expenditure.
- (l) Income.
- (m) Surplus/Deficit

6.4 **Cost centers** will be created to which the costs associated with providing the service can be allocated-

- (a) by Department;
- (b) by Section/service; and
- (c) by Division/service.

6.5 The subjective classification of expenditure each with a unique vote will be applied to all cost centers.

7. CATEGORIES OF RATEABLE PROPERTIES.

7.1 Criteria for determining categories of properties for the purpose of levying different rates and for the purpose of granting exemptions will be according to the-

- (a) use of the property;
- (b) permitted use of the property or
- (c) geographical area in which the property is situated

7.2 In terms of section 3 (3) (c) of the Act, the municipality may levy different rates for the different categories of rateable properties as set out below. The categories include the following:-

- residential properties;
- business and commercial properties;
- industrial properties;
- public service infrastructure;
- farm properties used for-
agricultural purposes;
business and commercial purposes;
residential purposes;
industrial purposes;
- small holdings used for-
agricultural purposes;
business and commercial purposes;
residential purposes;
industrial purposes;
- municipal owned residential properties;
- non – residential municipal properties;
- multiple use properties;
- properties acquired through provision of the Communal Land Rights Act, 1993 (Act 126 of 1993) or the restitution of land rights or which is subjected to the Communal Property Associations Act, 2006;
- properties on which monuments are proclaimed;
- properties owned by public benefit organisations and used for any specific public benefit activities;
- protected areas;
- private schools;
- public schools;
- mining properties (excluding mineral rights);
- registered residential businesses;
- unregistered residential businesses;
- sports fields;
- vacant land.

8. CATEGORIES OF OWNERS.

Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the-

- (a) indigent status of the owner of a property;
- (b) sources of income of the owner of a property;
- (c) owners of property situated within an area affected by
 - (i) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or

- (ii) any other serious adverse social or economic conditions;
- (d) owners of residential properties with a market value below a determined threshold; or
- (e) owners of agricultural properties who are *bona fide* farmers

9. PROPERTIES USED FOR MULTIPLE PURPOSES.

Rates on properties used for multiple purposes will be levied on properties used for a purpose corresponding with the dominant use of the property;

10. DIFFERENTIAL RATING.

- 10.1 Criteria for differential rating on different categories of properties will be according to-
 - (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
 - (b) The promotion of social and economic development of the municipality.
- 10.2 Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and/or
- 10.3 by way of reductions and rebates.

11. EXEMPTIONS.

- 11.1 The following categories of property are exempted from rates:
 - (a) Municipal properties (Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers.)
 - (b) Residential properties with a market value of less than R 15 000 are exempted from paying rates. This is an important part of the Council's indigent policy and is aimed primarily at alleviating poverty.
 - (c) Cemeteries and crematoriums
Registered in the names of private persons and operated not for gain.
 - (d) Public Service Infrastructure
Is exempted from paying rates to the extent provided for in the Property Rates Act.
 - (e) Public Benefit Organisations
The following Public Benefit Organisations may apply for the exemption of property rates subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):
 - (i) Health care institutions

- Rateable properties registered in the name of an institution or organization which has as its exclusive objective health care or counseling for terminally ill persons or persons with a severe physical or mental disability and persons affected by HIV/AIDS, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.
- (ii) **Welfare institutions**
Properties used exclusively as an orphanage, non-profit retirement villages, old age home or benevolent institution, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.
 - (iii) **Independent schools**
Property used by registered independent schools for educational purposes only.
 - (iv) **Charitable institutions**
Property belonging to not-for-profit institutions or organisations that perform charitable work.
 - (v) **Sporting bodies**
Property used by an organisation whose sole purpose is to use the property for sporting purposes on a non-professional basis.
 - (vi) **Cultural institutions**
Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.
 - (vii) **Museums, libraries, art galleries and botanical gardens**
Registered in the name of private persons, open to the public and not operated for gain.
 - (viii) **Youth development organisations**
Property owned and/or used by organisations for the provision of youth leadership or development programmes.
 - (ix) **Animal welfare**
Property owned or used by institutions/organisations whose exclusive aim is to protect birds, reptiles and animals on a not-for-profit basis.
 - (f) **Place of public worship**
Property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community who officiates at services at that place of worship.

- (g) any other property designated in terms of Section 17 of the Local Government: Property Rates Act, 2004 (Act 6 of 2004) as impermissible rates.
- 11.2 Exemptions will be subject to the following conditions:
 - (a) all applications must be addressed in writing to the municipality;
 - (b) a SARS tax exemption certificate must be attached to all applications;
 - (c) the Municipal Manager or his/her nominee must approve all applications;
 - (d) applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought; and
 - (e) the municipality retains the right to refuse exemptions if the details supplied in the application form were incomplete, incorrect or false.

12. REDUCTIONS.

- 12.1 A reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act will be granted where the value of a property is affected by:
 - (a) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - (b) any other serious adverse social or economic conditions
- 12.2 The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.
- 12.3 All categories of owners can apply for a reduction in the rates payable as described above.

13. REBATES.

- 13.1 Categories of property
 - (a) Business, commercial and industrial properties
 - (i) The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction, based on its Local, Social and Economic Development Policy. The following criteria will apply:
 - (a) job creation in the municipal area;
 - (b) social upliftment of the local community; and
 - (c) creation of infrastructure for the benefit of the community.
 - (ii) Rebates will be granted on application subject to:
 - (a) a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
 - (b) a continuation plan issued by the directors and certified by auditors of the company stating that the

objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives;

- (c) an assessment by the municipal manager or his/her nominee indicating that the company qualifies; and
- (d) a municipal resolution.

(b) State properties.

Receive a rebate provided for in the annual budget.

(c) Residential properties.

The municipality grants a rebate provided for in the annual budget, which applies to improved residential property that is:

- (i) used predominantly for residential purposes, with not more than two dwelling units per property,
- (ii) registered in terms of the Sectional Title Act,
- (iii) owned by a share-block company,
- (iv) a rateable residence on property used for or related to educational purposes,

(d) Agricultural property rebate.

Agricultural property rebate is fixed at 85% across the board, excluding properties positioned and marketed as hunting or safari establishments.

(e) Conservation Land

No rebates are granted to privately owned properties whether designated or used for conservation purposes.

(f) Historical or heritage properties

No rebates are granted other than residential rebates if appropriate.

13.2 Categories of owners

(a) Retired and Disabled Persons Rate Rebate

- (i) Retired and Disabled Persons qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:
 - (a) occupy the property as his/her normal residence;
 - (b) be at least 60 years of age, in receipt of a disability pension, old age pension or retirement annuity/pension privately provided;
 - (c) be in receipt of a total monthly income from all sources (including income of spouses of owner) not exceeding R 5 000.00;
 - (d) not be the owner of more than one property; and
 - (e) provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.

- (ii) Property owners must apply on a prescribed application form for a rebate as determined by the municipality.
 - (iii) Applications must be accompanied by:
 - (a) a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
 - (b) sufficient proof (three months bank statement) of income of the owner and his/her spouse;
 - (c) an affidavit from the owner;
 - (d) if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
 - (e) if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
 - (iv) These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.
 - (v) The municipality retains the right to refuse rebates if the details supplied in the application form were incomplete, incorrect or false.
- 13.3 The following percentage of rebates will be applicable to pensioners, pensioners in receipt of state grants or annuity benefactors, subject to the discretionary powers of the Municipal Manager or the availability of funds.

Total household Income Per Month	Rebate
R 2 250.00 to R 3 000.00	80%
R 3 001.00 to R 3 500.00	60%
R 3 501.00 to R 4 000.00	50%
R 4 001.00 to R 4 500.00	40%
R 4 501.00 to R 5 000.00	20%
Disabled persons – subject to the alterations made to a property to accommodate the specific disability, the discretion of the Municipal Manager and availability of funds	100%

- 13.4 Properties with a market value below a prescribed valuation level. These properties may instead of a rate determined on the market value may be a uniform fixed amount per property.
- 14. COST TO THE MUNICIPALITY DUE TO EXEMPTION, REDUCTIONS, REBATES, EXCLUSIONS, PHASING IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY.**
- 14.1 During the budget process the accounting officer must inform the Council of all costs associated with suggested exemptions, rebates, reductions

and phasing in of rates. The report of the accounting officer should display the costs in the following categories:

- (i) Exemptions R c:
 - Municipal properties .
 - Residential properties.
 - Cemeteries and crematoriums.
 - Public service infrastructure to the extent provided for in the Property Rates Act .
 - Public benefit organisations
- (ii) Reductions:
 - Properties affected by disaster.
 - Properties affected by serious adverse.
 - social or economic conditions.
- (iii) Rebates:
 - Enterprises that promote local, social and economic development .
 - State properties .
 - Residential properties .
 - Retired and disabled persons .
- (iv) Phasing in:
 - Newly rateable property.
 - Land reform beneficiaries .
- (v) Exclusions:
 - Protected areas .
 - Land reform beneficiary
 - Residential property (mandated R 15 000 exemption)
 - Public places of worship .

14.2 The benefit to the community of granting relief measures will be:

- (i) the promotion of local economic development including attracting business investment, for example small business establishment;
- (ii) creation of employment for municipal residents;
- (iii) promotion of service delivery, for example by farmers;
- (iv) poverty alleviation to the indigents;
- (v) social development and moral development, for example, by religious institutions, sports institutions, schools and other non- governmental organisations which promote health and

- (vi) other benefit to the community; and
Improved local economic growth.

15. RATES INCREASES.

- 15.1 The municipality will consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.
- 15.2 Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- 15.3 Relating to community and subsidised services the following annual adjustments will be made:
 - (i) All salary and wage increases as agreed at the South African Local Government Bargaining Council
 - (ii) An inflation adjustment for general expenditure, repairs and maintenance and contributions to statutory funds, and
 - (iii) Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- 15.4 Extraordinary expenditure related to community services not foreseen during the previous budget period and approved by the Council during a budget review process will be financed by an increase in property rates.
- 15.5 Affordability of rates to ratepayers.
- 15.6 All increases in property rates will be communicated to the local community in terms of the municipality's policy on community participation.

16. NOTIFICATION OF RATES.

- 16.1 The municipality will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days' notice will be based on the new rates.
- 16.2 A notice stating the purport of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality at places installed for that purpose.

17. PAYMENT OF RATES.

- 17.1 Ratepayers may choose between paying rates annually in one installment on or before 30 September or in twelve equal installments on or before the seventh day of the month following on the month in which it becomes payable.
- 17.2 If the owner of property that is subject to rates, notify the Municipal Manager or his/her nominee not later than 31 May in any financial year, or such later date in such financial year as may be determined by the

municipal manager or his/her nominee that he/she wishes to pay all rates in respect of such property in installments, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year in twelve installments until such notice is withdrawn by him/her in a similar manner.

- 17.3 Interest on arrears rates, whether payable on or before 30 September or in equal monthly installments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.
- 17.4 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.
- 17.5 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.
- 17.6 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

18. REGULAR REVIEW PROCESSES.

The rates policy will be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives and with legislation.

19. PHASING IN OF RATES

- 19.1 The rate levied on new rateable property owned and used by organisations conducting specific public benefit activities and registered in terms of the Income Tax Act for those activities, shall be phased in over a period of four years.

The phasing-in discount on properties mentioned in 19.1 shall be as follows:

- First year: 100% of the rate for that year otherwise applicable to the property;
- Second year: 75% of the rate for that year otherwise applicable to the property;
- Third year: 50% of the rate for that year otherwise applicable to the property;

- Fourth year: 25% of the rate for that year otherwise applicable to the property;
- Fifth year: Full Charge

19.2 The rate levied on all other newly rateable property shall be as follows:

- First year: 75% of the rate for that year otherwise applicable to the property;
- Second year: 50% of the rate for that year otherwise applicable to the property;
- Third year: 25% of the rate for that year otherwise applicable to the property;
- Fourth year: Full charge.

19.3 The rates levied on newly rateable property belonging to a land reform beneficiary or his/her heirs, shall be phased in over a period of three financial years, which three financial years shall commence after the exclusion period of ten years following the date on which the title was registered in the name of the beneficiary or his/her heirs at the Registrar of Deeds, has lapsed.

- First year: 75% of the rate for that year otherwise applicable to the property;
- Second year: 50% of the rate for that year otherwise applicable to the property;
- Third year: 25% of the rate for that year otherwise applicable to the property;
- Fourth year: 100% of the rate for that year otherwise applicable to the property.

20. LIABILITY FOR AND RECOVERY OF RATES

20.1 The owner of a property shall be liable for the payment of the rates levied on the property.

20.2 Joint owners of a property shall be jointly and severally be liable for the payment of rates levied on the property.

20.3 In the case where an agriculture property is owned by more than one owner in undivided shares and these undivided shares were allocated before the commencement of the date of the Subdivision of Agriculture Land Act, 1970 (Act 70 of 1970), the municipality shall hold any joint owners liable for all rates levied in respect of the agriculture property concerned or hold any joint owners only liable for that portion of rates levied on the property that represents joint owner's undivided share in the property.

- 20.4 Rates levied on properties in sectional title schemes, shall be payable by the owner of each unit;
- 20.5 Rates levied on property in sectional title schemes, where the Body Corporate is the owner of a specific section title unit, shall be payable by the Body Corporate.

21. RECOVERY OF RATES IN ARREARS

21.1 Tenants and occupiers

- 21.1.1 If the owner of a property does not pay the full amount due for rates levied on a property by the due date shown on the account, the municipality shall recover the amount in full or partially, from the tenant or occupier of the property, after a written notice is served on the tenant or occupier.
- 21.1.2 The amount to be recovered in terms of paragraph 21.1.1 above is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property.
- 21.1.3 Any amount recovered from the tenant or occupier of the property must be set off by the tenant or occupier against any money owned by the tenant or occupier to the owner.
- 21.1.4 The tenant or occupier of a property must, on request by the municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the municipality.

21.2 Agents

- 21.2.1 If the amount due for rates levied on a property is not paid by the owner by the due date shown on the account, the municipality shall recover the amount in full or partially, from the agent of the owner of the property, after a written notice is served on the agent.
- 21.2.2 The amount to be recovered in terms of paragraph 21.2.1 above is limited to the amount of the rent or other money due and payable, but not yet paid, by the agent on behalf of the owner of the property less any commission due to the agent.
- 21.2.3 The agent must, on request by the municipality, furnish the municipality with a written statement specifying all payments for recent on the

property and any other money received by the agent on behalf of the owner during a period determined by the municipality.

21.3 Credit Control and Collection

- 21.3.1 Where applicable, credit control and debt collection will be applied, in accordance with the approved Credit Control and Debt Collection Policy of the Council, for any outstanding amounts.

21.4 Interim Valuation Debits

In the event that a property has been transferred to a new owner and an Interim Valuation took place, the immediate predecessor in title, as well as the new owner, will be jointly and severally be held responsible for settling the interim account.

21.5 Ownership

Properties, which vest in the municipality during developments, i.e. open spaces and roads should be transferred at the cost of the developer to the municipality. Until such time, rates levied will be for the account of the developer.

21.6 Rates Clearance Certificates

Rates Clearance Certificates will be valid until 30 June in each financial year.

21.7 Rebate for Indigent debtors

The rebate is as determined by the municipality's policy on indigent debtors.

21.8 Liability of directors and members for assessment rates

Where a company, closed corporation, trust or a body corporate in terms of the Sectional Titles Act, 1986 (Act 95 of 1986) as amended is responsible for the payment of any arrear amounts to the municipality, the liability for such entry shall be extended to the directors or members thereof jointly as the case may be.

22. REGISTER OF PROPERTIES

The accounting officer must ensure that a register of properties is drawn

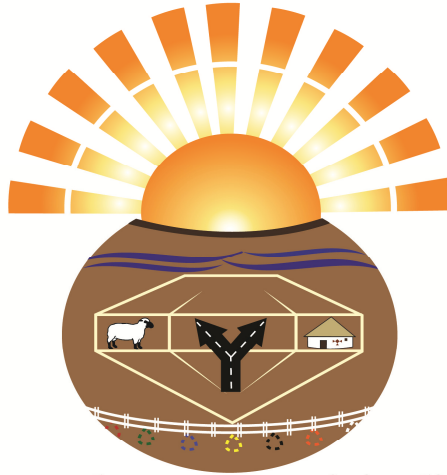
up and maintained as contemplated in section 23(3) of the Act.

23. COMMENCEMENT AND PERIOD OF RATES

This policy takes effect on the date specified in the municipal Council resolution.

24. REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	../../2018	dd	.. May 2018



Umsobomvu Municipality
Continuously Rising

SUPPLY CHAIN MANAGEMENT POLICY

UMSOBOMVU MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY DRAFTED IN TERMS OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 of 2003)

The Council of Umsobomvu Municipality resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following policy as the Supply Chain Management Policy of the Umsobomvu Municipality.

TABLE OF CONTENTS

1. Definitions

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy
3. Amendment of supply chain management policy
4. Delegation of supply chain management powers and duties
5. Sub delegations
6. Oversight role of council
7. Supply chain management units
8. Training of supply chain management officials

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system
- Part 1: Demand management***
10. System of demand management
- Part 2: Acquisition management***
11. System of acquisition management
12. Range of procurement processes
13. General preconditions for consideration of written quotations or bids
14. Lists of accredited prospective providers
15. Petty cash purchases
16. Written or verbal quotations
17. Formal written price quotations
18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations
19. Competitive bidding process
20. Process for competitive bidding
21. Bid documentation for competitive bids
22. Public invitation for competitive bids
23. Procedure for handling, opening and recording of bids
24. Negotiations with preferred bidders

25. Two-stage bidding process
26. Committee system for competitive bids
27. Bid specification committees
28. Bid evaluation committees
29. Bid adjudication committees
30. Procurement of banking services
31. Procurement of IT related goods or services
32. Procurement of goods and services under contracts secured by other organs of state
33. Procurement of goods necessitating special safety arrangements
34. Proudly SA Campaign
35. Appointment of consultants
36. Deviation from, and ratification of minor breaches of, procurement processes
37. Management of expansion or variation of orders against the original contract
38. Local content
39. Unsolicited bids
40. Combating of abuse of supply chain management system

Part 3: Logistics, Disposal, Risk and Performance Management

41. Logistics management
42. Disposal management
43. Risk management
44. Performance management

Part 4: Other matters

45. Prohibition on awards to persons whose tax matters are not in order
46. Prohibition on awards to persons in the service of the state
47. Awards to close family members of persons in the service of the state
48. Ethical standards
49. Inducements, rewards, gifts and favours
50. Sponsorships
51. Objections and complaints
52. Resolution of disputes, objections, complaints and queries
53. Contracts providing for compensation based on turnover
54. Commencement

Part 5: Annexure

Code of Conduct for Supply Chain Management Practitioners and Other Role Players

1. Definitions

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

“Accounting officer” means the Accounting Officer referred to in section 60 of the Municipal Finance Management Act, No. 56 of 2003, in relation to a municipal entity, means the official referred to in section 93, and includes a person acting as the accounting officer.

“Accredited Agent” means a provider who is authorized to deliver certain goods / services and can be trading in a specific area, however, an accredited agent is not a sole provider.

“accredited” means goods / services that are officially recognized, are generally accepted or having a guaranteed quality.

“black people”; is as generic term which means Africans, Coloureds and Indians as defined in the Broad-Based Black Empowerment Act (No. 53 of 2003);

“competitive bid” means a bid in terms of a competitive bidding process;

“competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this policy;

“CDS” means national central supplier database;

“emergency procurement” emergency cases are cases where immediate action is necessary in order to avoid dangerous or risky situation (life threatening) or misery such as floods or fires.”

“exceptional / urgent cases” exceptional cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. However a lack of proper planning should not be constituted as an urgent case subject to the approval of the Accounting Officer. The nature of the urgency and the details of the justifiable procurement must be recorded and the AO to approve.

“Exempted Micro Enterprise” [EME's] Enterprises with an annual total revenue of R5 million or less [all taxes included] for goods and services. Sector charters have been developed for the Tourism and Construction industry where thresholds of Rand 2.5 million and Rand 1.5 million respectively have been established.”

“final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept bids or quotations submitted for a contract, means the final decision on which-bid or quote to accept;”

“formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this policy;

“in the service of the state” means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) an executive member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“ Irregular expenditure”- means-

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

[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 “unauthorised expenditure.”

In this context “expenditure” refers to any use of municipal funds that is in contravention of the following legislation:

-Municipal Finance Management Act, Act56 of 2003, and its regulations

-Municipal Systems Act, Act 32 of 2000, and its regulations

-Public Office-Bearers Act, Act20 of 1998, and its regulations; and

-The municipality’s supply chain management policy, and any by-laws giving effect to that policy;”

“ Irregular expenditure”- means-

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

[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 “unauthorised expenditure.”

In this context “expenditure” refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act56 of 2003, and its regulations
- Municipal Systems Act, Act 32 of 2000, and its regulations
- Public Office-Bearers Act, Act20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy.

“long term contract” means a contract with a duration period exceeding one year;

“list of accredited prospective providers” means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of paragraph 14 of this policy;

“local content” means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;

“municipality” means Umsobomvu Municipality

“Municipal entity” has the meaning assigned to it by Section 1 of the Municipal Systems Act, 2000.

“other applicable legislation” means any other legislation applicable to municipal supply chain management, including –
 (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
 (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Sole Provider” means a provider of specialized or exclusive goods/services who has a sole distribution / patent /manufacturing rights and copy rights.

“senior manager” means an executive director appointed in terms of section of the Municipal Systems Act, 2000 or an acting executive director appointed by the Accounting Officer.

“the Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“the Regulation” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

“the Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“Transversal contract” means a contract arranged for more than one department or municipality or for more than one level of government eg. National and Provincial Government.

“Unauthorized expenditure” means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 [3] 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.

Unforeseen and unavoidable expenditure is discussed in section 29 of the MFMA and reads as follows:

- [1] The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseen and unavoidable expenditure for which no provision was made in an approved budget.
- [2] Any such expenditure-
 - [a] must be in accordance with any framework that may be prescribed;
 - [b] may not exceed a prescribed percentage of the approved annual budget;
 - [c] must be reported by the mayor to the municipal council at its next meeting; and
 - [d] must be appropriated in an adjustments budget.
- [3] If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies.

“**written or verbal quotations**” means quotations referred to in paragraph 12(1)(b) of this policy.

CHAPTER 1 IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. **Supply chain management policy**

- (1) All officials and other role players in the supply chain management system of the **Umsobomvu Municipality** must implement this Policy in a way that –
 - (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - Broad Based Black Economic Empowerment Act [B-BBEEA];
 - Corruption Act, 1998 – anti-corruption measures and practices;
 - Competition Law and Regulations;

- Promotion of Administrative Justice Act, 2000;
- National Archives of South Africa Act, 1996;
- National Small Business Act;
- Construction Industry Development Board Act,

- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The municipal entity must, in addition to complying with subparagraph (1), apply this Policy, to the extent determined by the parent municipality, in a way that and that is consistent with the supply chain management policy of the municipality.
- (3) This Policy applies when the Umsobomvu Municipality –
- (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

3. Amendment of the supply chain management policy

- (1) The accounting officer must –
- (a) at least annually review the implementation of this Policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- (2) If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the accounting officer must –
- (a) ensure that such proposed amendments comply with the Regulations; and

- (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

4. Delegation of supply chain management powers and duties

- (1) The Council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- (3) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. Sub delegations

- (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
- (2) The power to make a final award –

- (a) above R10 million (VAT included) may not be sub delegated by the accounting officer;
 - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of:
 - Chief Financial Officer
 - Head Infrastructure
 - Head Social Services
 - Head of Institutional Development
 - (c) not exceeding R2 million (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee comprising of:
 - Chief Financial Officer
 - Head Infrastructure
 - Head Social Development
 - Head Institutional Development
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted –
- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

6. Oversight role of council

- (1) The Council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
 - (a)(i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy to the council of the municipality; and
 - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council, who must then submit the report to the accounting officer of the municipality for submission to the Council.
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7. Supply chain management unit

- (1) A supply chain management unit is hereby established to implement this Policy.
- (2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

8. Training of supply chain management officials

The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM

9. **Format of supply chain management system**

This Policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management;
- (vi) performance management, and
- (vii) asset management

Part 1: Demand management

10. **System of demand management**

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –
 - (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.
 - (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
 - (e) The municipality must compile a Procurement Plan containing all Planned procurement for the financial year in respect of the procurement of goods, services and infrastructure projects which exceed R 200 000 [all applicable taxes included] per case as described in the Supply Chain Management Guide for Accounting Officers. The procurement plan must be finalized on the 1 July every year. The relevant information should preferably be furnished in the format contained in the Procurement Plan Template enclosed as Annexure A.
 - (f) Also refer to National Treasury MFMA Circular 62.

Part 2: Acquisition management

11. System of acquisition management

- (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are as per National and Provincial prescripts [SCM Practice note 2, Explanatory notes: Revised quotation / bid forms;
 - (e) that the preference point system used in accordance with the Revised Preferential Procurement Policy Regulations of 7 December 2011.
 - (f) that any Treasury guidelines on acquisition management are properly taken into account.
 - (g) Verification of bids in excess of R10 million
 Prior to advertisement:
 Verification by the CFO
 The senior manager responsible for a vote must submit to the CFO:
 - proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
 - any ancillary budgetary implications related to the bid;
 - any multi -year budgetary implications;
 Prior to the award of a bid.
 Contracts above the value of R 10 million may only be awarded to the preferred bidder after the CFO has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and /or services and that it is consistent with the Integrated Development Plan.
 - (h) Publication of awards in respect of advertised competitive bids. The following information on the successful bids must be placed on the municipal website:
 - Contract numbers and description of goods, services or infrastructure projects;
 - Names of the successful bidders and the B-BBEE level of contribution claimed;
 - Brand names and dates for completion of contracts.
 - (i) Functionality
 Adhere to the revised guidelines when functionality is included as a criterion in the evaluation of bids.
 - Clear indication must be given in bid documents if bids will be

evaluated on functionality.

- Evaluation criteria must be objective.
- The weight of each criterion, applicable values and the minimum qualifying score must be indicated in the bid documents.
- Bidders failing to achieve the qualifying score for functionality must be disqualified.
- Bidders achieving the minimum qualifying score must be evaluated further in terms of points for price and B-BBEE status level contribution

Pre –evaluation

- After closure of the bid pre-evaluation is done to ensure all bidders comply with the prescribed minimum norms and standards, NO TECHNICAL EVALUATION IS DONE AT THIS POINT.

- Bidders are then invited to prepare for a functionality presentation in line with the criteria set out in the bid document on a specific date and provided with a time slot.

Appointment of a functionality committee

-The functionality committee is an ad-hoc committee appointed per bid.

- It should consist out of a cross functional team

- To be included as well:

- A SCM Practitioner;

- The end-user;

- Technical experts;

-Members of the Bid Evaluation- and Adjudication committees;

-CFO or a person with knowledge of the available budget from the CFO's office;

- Any other official deemed to be relevant;

-Provincial SCM official.

- Each member will complete a score sheet per bidder.

-The totals to be calculated by SCM, an average calculated and only the bidders who scored the minimum qualifying score will be evaluated further.

-Prior to the functionality committee meeting the end-user and the technical experts can sit with all the appointed committee members and peruse each bidder's proposal and draw-up a list of questions for clarification. Each member can add his / her own questions and during the presentations clarify or verify the information presented with relevant questions.

NOTE: There cannot be two technical evaluation processes, only one done by a duly appointed functionality committee.

- Functionality evaluation forms part of the formal evaluation processes and is open for legal scrutiny and challenges –therefore it is a formal once off process with proper procedures and score sheets to be completed per committee member for each bidder, duly signed off by the relevant committee member.

- Score sheets form part of a bid and year-end audit by the Auditor – General.
- Not following proper processes may lead to expenditure been classified as irregular by the Auditor-General's office.

(2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -

- (a) the kind of goods or services; and
- (b) the name of the supplier.

12. Range of procurement processes

- (1) Goods and services may only be procured by way of –
 - (a) petty cash purchases, up to a transaction value of R2 000 VAT included); (To be read with clause 15)
 - (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 VAT included); (To be read with clauses 13, 16 and 18)
 - (c) formal written price quotations for procurements of a transaction with a Rand value over R10 000.00 and up to a value of R 200 000.00 VAT included); (To be read with clauses 13, 17 and 18)
 - (d) a competitive bidding process for–
 - (i) procurements above a transaction value of R 200 000.00 VAT included); and
 - (ii) the procurement of long term contracts;
- (2) The accounting officer may, in writing-
 - (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000 (all taxes included);
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000 (all taxes included); or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 (all taxes included).
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
 - (iv) original tax clearance certificate from the south African Revenue Services;
- (v) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for more than three months;
Bids/ quotations should only be awarded to suppliers who are not in arrears with their municipal rates and taxes. If the suppliers are not resident in this municipality, but offer their services from any other municipality, the same applies. It should be established if they are not in arrears in their own municipality.
- (vi) requirements for construction and engineering related bids should be awarded according to CIDB regulations;
- (vii) The CIDB Act requires that all projects need to be registered with the CIDB;
- (viii) Before an award is done to a contractor, the contractor's CIDB grading must be confirmed with the CIDB website;
- (ix) The CIDB grading designation is as follows:

Grading designation	Less than or equal to
1	R 200 000
2	R 650 000
3	R 2 000 000
4	R 4 000 000
5	R 6 500 000
6	R 13 000 000
7	R 40 000 000
8	R 130 000 000
9	No Limit

- (b) has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of

the state, or has been in the service of the state in the previous twelve months; or

- (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

14. Lists of accredited prospective providers

- (1) The accounting officer must –
 - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
 - (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
 - (c) specify the listing criteria for accredited prospective providers; and
 - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) Utilization of web based national central supplier database. The transitional period for local government is from 1 April 2016 to 30 June 2016. The CSD will therefore be fully effective for municipalities and municipal entities from 1 July 2016.

15. Petty cash purchases

- (1) The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows:
 - (a) council determine the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
 - (b) council determine the maximum number of petty cash purchases or the maximum amounts per month for each manager;
 - (c) council determine any types of expenditure from petty cash Purchases that are excluded, where this is considered necessary; and
 - (d) a monthly reconciliation report from each manager must be

- provided to the chief financial officer, including -
- (i) the total amount of petty cash purchases for that month;
and
 - (ii) receipts and appropriate documents for each purchase.

16. Written or verbal quotations

The conditions for the procurement of goods or services through written or verbal quotations are as follows:

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1) (b) and (c) of this Policy;
- (b) where no suitable accredited service providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that such service providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this policy.
- (c) quotations must be approved on a rotation basis;
- (d) to the extent feasible, providers must be requested to submit such quotations in writing;
- (e) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;
- (f) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (g) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider;
- (h) The municipality will investigate and utilize various other options to advertise bids/quotations viz. community boards, the library, public buildings, police station, etc. This is to ensure that the municipality tried to obtain at least three quotations;
- (i) In cases where there are only a few suppliers for certain goods and, vehicle repairs, the municipality will then use these suppliers on a rotation basis, in order to give everybody a chance. This practice will only be utilized in exceptional cases. As soon as more

suppliers become available, such goods / services will be provided via the database.

17. Formal written price quotations

- (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:
 - (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
 - (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1) (b) and (c) of this Policy;
 - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
 - (d) the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1) (d) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

- (a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality; The revised PPPFA prescripts are applicable, eg. Point system and Status level verification certificates [score cards] must be applied in the adjudication process. Please refer to paragraph 19 [3] for more detail.
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;

- (e) offers below R30 000 (VAT included) must be awarded base on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who's offer is according to specifications, has the ability to deliver and is compliant with all the other requirements and [who] scored the highest points.
- (g) Minimum requirements for proper record keeping must be complied with.

19. Competitive bids

- (1) Goods or services above a transaction value of R200 000 (VAT and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
- (3) The 80 / 20 principle is applicable; 80 points for price and 20 points for B-BBEE status level verification certificates. The 20 points will be standard as follows:

B-BBEE Status Level of Contributor	Number of points [80 / 20]	Number of points [90/10]
1	20	10
2	18	9
3	16	8
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant Contributor	0	0

The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score 0 out of a maximum of 10 or 20 points for B-BBEE status.

PLEASE NOTE:

- [a] The 80/20 point system is applicable from R30 000 up to R1million.
- [b] The 90/10 point system is applicable to bids invited exceeding R 1million.

This should not be interpreted that quotations can be invited for up to R 1million. The threshold for the invitation of quotations did not change and it is still at R200 000.

Note: Quotations can only be invited not exceeding R 200 000.

- 4. The specification committee will make proposals if functionality points need to be used and the evaluation committee will approve a variation in the point system for a specific bid.
- 5. For construction procurements the CIDB Act and Regulations are to be used for quotations/bids.

20. Process for competitive bidding

The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
- (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Sub-contracting

A bidder must not be awarded the points claimed for B-BBEE status level contribution if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the contract value to any other enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capacity to execute the sub-contract. A contractor is not allowed to sub-

contract more than 25% of the contract value to another enterprise that does not have an equal or higher B-BBEE status level, unless the intended sub-contractor is an EME that has the capacity and ability to execute the sub-contract.

- (i) Evaluation of bids that scored equal points
In the event that two or more bids have scored equal total, the successful bid must be the one that scored the highest points for B-BBEE. If two or more bids have equal points, including equal preference points for B-BBEE, the successful bid must be the one scoring the highest points for functionality, if functionality is part of the evaluation process. In the event that two or more bids are equal in all respects, the award must be decided by drawing lots.
- (j) Cancellation and re-invitation of bids
In the application of the 80/20 point system, if all bids received exceed R1 million, the bid must be cancelled. If one or more of the acceptable bid[s] received are within the R 1 million thresholds, all bids received must be evaluated on the 80/20 preference point system. In the application of the 90/10 preference point system, if all bids received are equal or below R1million, the bid must be cancelled. If one or more of the acceptable bid[s] received are above the R1million threshold, all bids received must be evaluated on the 90/10 preference point system. If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.
- (k) Awarding of contracts
A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point system. Points scored must be rounded off to the nearest 2 decimal places. In exceptional circumstances a contract may, on reasonable and justifiable grounds be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.
- (l) Sale and letting of assets
The Preferential Procurement Regulations, 2011, are not applicable to the sale and letting of assets.
In instances where assets are sold or leased, by means of a bidding process, the bid must be awarded to the bidder with the highest price
- (m) Proper record keeping.
- (n) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

21. Bid documentation for competitive bids

The criteria to which bid documentation for a competitive bidding process must comply, must –

- (a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (all taxes included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) The Accounting Officer reserves the right to stipulate such a dispute to be settled utilizing a court of law preferably within the municipal boundaries or as close as possible to the municipal boundaries

22. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids, is as follows:
 - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other

- appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
- (b) Advertisement of Bids and the publication of notices in respect of Awards, Cancelled Bids, Verification and Extension of existing contracts on the e-Tender Publication Portal.
 - (c) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions.
 - (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
 - (3) Bids submitted must be sealed.
 - (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

23. Procedure for handling, opening and recording of bids

The procedures for the handling, opening and recording of bids, are as follows:

- (a) Bids–
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.

24. Negotiations with preferred bidders

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
 - (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

25. Two-stage bidding process

- (1) A two-stage bidding process is allowed for –
 - (a) large complex projects;
 - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage final technical proposals and priced bids should be invited.

26. Committee system for competitive bids

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
 - (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - (a) paragraph 27, 28 and 29 of this Policy; and
 - (b) any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

27. Bid specification committees

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- (2) Specifications –
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2011; and
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

26. Bid evaluation committees

- (1) A bid evaluation committee must –
 - (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2) (f).
 - (b) evaluate each bidder's ability to execute the contract;

- (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of-
- (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

29. Bid adjudication committees

- (1) A bid adjudication committee must –
- (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least three senior managers of the municipality which must include –
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (c) a technical expert in the relevant field who is an official, and who requested the goods/services must be co-opted. Outside technical experts can also be co-opted, they must leave the meeting after advice has been given. Only standing committee members can be involved in final deliberation and recommendations or final approval.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

- (5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) notify the accounting officer.
- (b) The accounting officer may –
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days
- (8) For the purposes of continuity and not to delay meetings the Accounting Officer may also appoint any official to temporarily replace members that are absent from meetings due to illness, leave, etc. The Accounting Officer may also decide whether or not such an official will have the same powers as committee members

30. Procurement of banking services

- (1) A contract for banking services –
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

31. Procurement of IT related goods or services

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if –
 - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (all taxes included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (all taxes included).
- (4) If a SITA comment on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

32. Procurement of goods and services under contracts secured by other organs of state

- (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
 - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so; and
 - (d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs (1) (c) and (d) do not apply if –
 - (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
 - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

33. Procurement of goods necessitating special safety arrangements

- (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost

advantages and environmental impact and must be approved by the accounting officer.

34. Proudly SA Campaign

The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly – suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

35. Appointment of consultants

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if
 - (a) the value of the contract exceeds R200 000 (all taxes included); or
 - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

36. Deviation from, and ratification of minor breaches of, procurement processes

- (1) The accounting officer may –
 - (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only-
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or

- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
 - (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
 - (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
37. Management of expansion or variation of orders against the original contract
- (1) Contracts may be expanded or varied by not more than 20% for construction related goods, services and /or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the above mentioned thresholds must be reported to council. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of Section 116 (3) of the MFMA which will be regarded as an amendment of the contract.
 - (2) The contents of this paragraph are not applicable to transversal contracts, facilitated by the relevant treasuries on behalf of municipalities and specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

38. Local Content

The Preferential Procurement Regulations, 2011 pertaining to the Preferential Procurement Policy Framework Act, Act No 5 of 2000 which came into effect on 7 December 2011 make provision for the DTI to designate sectors in line with national development and industrial policies for local production. To this end the DTI has designated and determined the stipulated minimum thresholds for the following sectors:

-	Bus Sector	70 - 80 %
-	Pylons	100 %
-	Rolling Stock	55 – 80 %
-	Textiles	100%

- | | | |
|---|---------------------------------------|-----------------|
| - | Processed Vegetables | 80 % |
| - | Set Top Boxes | 30 % |
| - | Furniture Products | from 65 to 100% |
| - | Electrical and telecom cable products | 90% |

Note: Other designated sectors may be added by DTI in future. When inviting bids/quotations where local content is applicable, municipalities must indicate this in the bid advertisement. The MBD 6.2, SABS Specification SATS 1286:2011, and DTI Guidance on the calculations of local content [available on DTI'S official website <http://www.thedti.gov.za>] should also be included in the bid documents/quotations. The supplier has to proof that the product he offers does indeed comply with the stipulated thresholds. In order to do this there are three annexures which the supplier has to fill in and submit together with the bid document/quotation. These forms are also available on the DTI Guidance on the calculations of Local content. It is advisable that municipalities attach the Guidance document to the bid documents/quotations in order to assist the suppliers to fill in the bid documents.

A two stage evaluation process may be followed

- First stage: calculate if the bidder adheres to the local content percentage requirement;
- Second stage: Only the bidders who comply with the local content percentage requirement will be evaluated further.

39. Unsolicited bids

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and

- (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

40. Combating of abuse of supply chain management system

- (1) The accounting officer must–
 - (a) take all reasonable steps to prevent abuse of the supply chain management system;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) reject any bid from a bidder–

- (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
- (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.
- (3) The accounting officer must, as part of complying with section 62 of the MFMA set up and maintain a register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures. The aim with the register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework. Please also consult National Treasury MFMA Circular 68 dated 10 May 2013 in this regard.

Part 3: Logistics, Disposal, Risk and Performance Management

41. Logistics management

The accounting officer must establish and implement an effective system of logistics management, which must include -

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

42. Disposal management

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:
- (2) Assets may be disposed of by one of the following –
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset.
- (3) The accounting officer must ensure that –
 - (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;

- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- (h) the maintenance and administration of term contracts is co-managed with acquisition management for general goods / services.

43. Risk management

- (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are contained in the Risk Management Policy of the municipality.
- (2) Risk management must include –
 - (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

44. Performance management

The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

45. Prohibition on awards to persons whose tax matters are not in order

- (1) No award may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.

- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.
- (4) It is an offence to deregister for VAT purposes after obtaining business from the municipality. Should the municipality establish that a supplier has deregistered post-contract award and is claiming VAT, the municipality will summarily cancel the contract and prohibit the offender from doing business with municipality in the future.

46. Prohibition on awards to persons in the service of the state

- (1) Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
 - (a) who is in the service of the state;
 - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (c) a person who is an advisor or consultant contracted with the municipality.
- (2) The municipality will not award business to service providers owned directly or indirectly by politicians serving as councilors for any municipality unless the councilor has obtained prior written consent from the municipal council as per the Code of Conduct, Schedule 5, contained in the Local Government Municipal Structures Act (Act No 117 of 1998).
- (3) The municipality will not award business to service providers owned directly or indirectly by politicians serving in National Assembly, Provincial Legislatures and National Council of Provinces unless prior written consent has been obtained from the National Assembly, Provincial Legislature and National Council of Provinces.
- (4) Failure by the above mentioned persons to comply with the above shall lead to cancellation of the contract.

47. Awards to close family members of persons in the service of the state

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 (VAT included) to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

48. Ethical standards

- (1) A code of ethical standards as set out in subparagraph (2) is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –
- (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(a)

Note:

It is recommended that the municipality or municipal entity adopt the 'National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management'. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation". This code of conduct must be adopted by council or board of directors to become binding.

- (2) An official or other role player involved in the implementation of this Policy-
- (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00;
 - (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
 - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

- (g) must be scrupulous in his or her use of property belonging to municipality;
- (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2) (d) and (e) -
 - (a) must be recorded in a register which the accounting officer must keep for this purpose;
 - (b) by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (5) A breach of the code of ethics must be dealt with as follows -
 - (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - (c) In all cases, financial misconduct must be dealt with in terms of
 - (d) chapter 15 of the Act.
- 49. Inducements, rewards, gifts and favours to municipalities, officials and other role players**
 - (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
 - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
 - (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the

offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (3) Subparagraph (1) does not apply to gifts less than R350.00 in value.

50. Sponsorships

The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) a provider or prospective provider of goods or services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed.

51. Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

52. Resolution of disputes, objections, complaints and queries

- (1) The accounting officer must within 14 days from receipt of an written complain detailing the bid or quotation number, the part of the municipality's policy, regulation or Act that has been violated, the details of the violation, the department or region involved and relief sought, appoint an independent and impartial person who was not involved in the transaction in question, within or from outside the municipality:
 - (a) to investigate and propose dispute resolution;
 - (b) to assist in the resolution of disputes between the municipality and other persons or service providers regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
 - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and

- (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) The municipality may appoint an ombudsman on an 'as and when' required basis to investigate complaints submitted. The duties and functions of such a person will be contained in the Terms of Appointment.
- (6) Disputes relating to running contracts or completed contracts will be resolved strictly according to the disputes resolution mechanism provided for in the contract document.
- (7) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (8) This paragraph must not be read as affecting a person's rights to approach a court at any time.

53. Contracts providing for compensation based on turnover

If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate-

- (a) a cap on the compensation payable to the service provider; and
- (a) that such compensation must be performance based.

54. Commencement

This Policy takes effect on day a resolution has been passed by Council.

APPROVAL

- (i) **Approved per Council Resolution 34/05/2013 dated 31 May 2013**
- (ii) **Reviewed per Council Resolution 89/05/2014 dated 30 May 2014**

- (iii) Reviewed per Council Resolution 05/2014 dated 26 May 2015
- (iv) Reviewed per Council Resolution 02/06/2016 dated 31 May 2016
- (v) Reviewed per Council Resolution 07/02/2017 dated 12 April 2017
- (vi) Reviewed per Council Resolution 03/03/2017 dd 31 May 2017
- (vii) Reviewed per Council Resolution ../../2018 dd ..May 2018

UMSOBOMVU MUNICIPALITY

CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

Preamble

In accordance with regulation 46(4) and 46(5) of the Local Government Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations, the supply chain management policy of a municipality or municipal entity is required take into account the National Treasury's code of conduct for supply chain management practitioners and other role players. The municipality has adopted the National Treasury code of conduct. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality.

Purpose

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

General Principles

The Umsobomvu municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

Officials and other role players involved in SCM should comply with the Code of Conduct for municipal employees as contained in the Local Government Municipal Systems Act, 2000 (Act 32 of 2000)

Conflict of interest

An official or other role player involved with supply chain management –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00;
- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the Umsobomvu municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) should not take improper advantage of their previous office after leaving their official position.

Accountability

Practitioners are accountable for their decisions and actions to the public. Practitioners should use public property scrupulously.

Only accounting officers or their delegates have the authority to commit the Umsobomvu municipality to any transaction for the procurement of goods and / or services.

All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including

- (i) any alleged fraud, corruption, favouritism or unfair conduct;
- (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
- (iii) any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

Openness

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

Confidentiality

Any information that is the property of the Umsobomvu municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.

Matters of confidential nature in the possession of officials and other role players involved in Supply Chain Management should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

Bid Specification / Evaluation / Adjudication Committees

Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the Umsobomvu municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

The entire members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

No person should-

- interfere with the supply chain management system of the Umsobomvu municipality; or
- amend or tamper with any price quotation / bid after its submission.

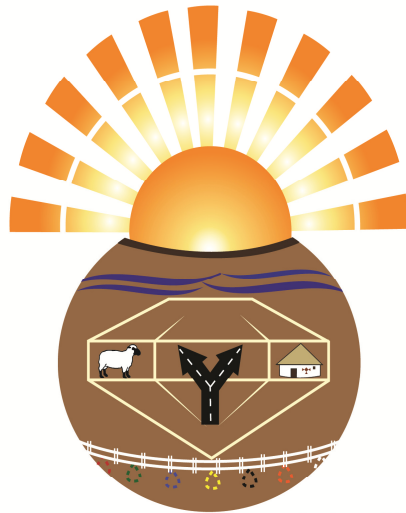
Combative Practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- (i) Suggestions to fictitious lower quotations;
- (ii) Reference to non-existent competition;
- (iii) Exploiting errors in price quotations / bids;
- (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

Condition of Service

This Code of Conduct is deemed as a Condition of Service and any breaches may result in disciplinary measures to be instituted against the Employee.



Umsobomvu Municipality
Continuously Rising

TARIFF POLICY

TABLE OF CONTENTS

	Page
1. INTRODUCTION AND LEGISLATIVE REQUIREMENTS	2
2. DEFINITIONS AND ABBREVIATIONS.....	2
3. PURPOSE OF THE TARIFF POLICY	6
4. SCOPE OF APPLICATION.....	7
5. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE	7
6. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE.....	8
6.1 Financial Factors.....	8
6.2 Socio-economic factors.....	9
6.3 Minimum service levels	10
6.4 Credit Control	10
6.5 Package of services	10
6.6 Historical and future user patterns	10
6.7 User groups	10
7. FREE BASIC SERVICES.....	11
8. TARIFF STRUCTURES FOR VARIOUS SERVICES.....	12
8.3 Electricity	12
8.4 Water	13
8.5 Refuse Removal	14
8.6 Sewerage	15
8.7 Property Rates.....	15
9. ELECTRICITY TARIFF POLICY	16
9.1 Domestic Customers.....	16
9.2 Commercial/ Business Customers/ Accommodation Establishments.....	17
9.3 Industrial/ Bulk Customers.....	18
9.4 Farm Properties (Agricultural).....	18
9.5 Special Arrangements.....	19
9.6 Electricity sundry tariffs	19
10. WATER TARIFF POLICY	19
10.1 Domestic Customers.....	19
10.2 All other Customers	20
10.3 Special Arrangements.....	20
10.4 Water Delivery in Rural Areas	20
10.5 Water Restrictions.....	21
10.6 Water Sundry Tariffs	21
11. REFUSE TARIFF POLICY	21
11.1 Refuse Removal Tariffs.....	21
11.2 Refuse Removal Sundry Tariffs	21
12. SEWERAGE TARIFF POLICY.....	22
12.1 Waterborne Sewerage Systems	22
12.2 Septic Tanks/ French Drains	22
12.3 Withdrawal of Septic Tanks/ French Drains in Rural Areas	22
12.4 Special Arrangements.....	22
12.5 Sewerage sundry tariffs.....	23
13. PROPERTY TAX POLICY	23
13.1 Property Tax Tariffs.....	23
13.2 Property Tax Sundry Tariffs	23
14. SUNDRY TARIFFS	23
15. IMPLEMENTATION AND REVIEW OF THIS POLICY	23

UMSOBOMVU LOCAL MUNICIPALITY
PRINCIPLES AND POLICY ON TARIFFS AND FREE BASIC SERVICES

1.1 INTRODUCTION AND LEGISLATIVE REQUIREMENTS

1.2 In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.

1.3 In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

1.4 This policy has been compiled in accordance with:-

1.4.1 The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended;

1.4.2 Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;

1.4.3 Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;

1.4.4 Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004;

1.4.5 Umsobomvu Municipality Property Rates Policy as reviewed annually.

1.5 DEFINITIONS AND ABBREVIATIONS

"Account" means an account rendered specifying charges for municipal services provided by the municipality, or any authorised and contracted service provider, and which account may include assessment rates levies.

"Accounting officer" means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

"Annual budget" shall mean the budget approved by the municipal council for any particular financial year, and shall include any adjustments to such budget.

"Arrangement" means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

"Basic municipal services" shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment.

"Business and commercial property" means -

- (a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
- (b) property on which the administration of the business of private or public entities take place;

“By-law” shall mean legislation passed by the council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

“Category” –

- (a) in relation to a property, means a category of properties determined in terms of section 8(2) of the Act;
- (b) in relation to the owners of property, means a category of owners determined in terms of section 15(2) of the Act;

“Chief financial officer” means a person designated in terms of section 80 (2) (a) of the Municipal Finance Management Act.

“Consumer price index” shall mean the CPIX as determined and gazetted from time to time by the Statistician General.

“Councillor” shall mean a member of the Council of the municipality.

“Domestic customer or user” of municipal services shall mean the person or household which municipal services are rendered in respect of “residential property” as defined below.

“Electricity charges” means service charges in respect of the provision of electricity.

“Farm property or small holdings used for agricultural purpose” – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes.

“Farm property not used for any purpose” means agricultural property which is not used for such purpose, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property.

“Financial year” shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

“Indigent customer” means the head of an indigent household:-

- (a) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and
- (b) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

"Indigent Support Programme" means a structured program for the provision of indigent support subsidies to qualifying indigent customers in terms of the Council's Indigent Support Policy.

"Indigent Support Policy" means the Indigent Support Policy adopted by the Council of the municipality.

"Integrated development plan" shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

"Industrial property" – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

"Local community" or **"community"**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations and non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.

"Month" means one of twelve months of a calendar year.

"Municipality" or **"municipal area"** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.

"the municipality" means Umsobomvu Local Municipality.

"Municipal council" or **"council"** shall mean the municipal council of Umsobomvu Local Municipality as referred to in Section 157(1) of the Constitution.

"Municipal manager" shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

"Multiple purposes" in relation to a property, shall mean the use of a property for more than one purpose.

"Municipal service" has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

"Municipal tariff" shall mean a tariff for services which the municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for the supply and consumption or usage of electricity, water, sewerage and refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of other services supplied including services incidental to the provision of the major services.

"Occupier" means any person who occupies, controls or resides on any premises, or any part of any premises without regard to the title under which he or she so occupies it.

"Owner" in relation to immovable property means -

- (a) the person in whom is vested the legal title thereto provided that:-
 - (i) the lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
 - (ii) the occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) if the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;
- (c) if the owner is absent from the Republic or if his address is unknown to the municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or if the municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

"Premises" includes any piece of land, the external surface boundaries of which are delineated on:

- (a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or
- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, and which is situated within the area of jurisdiction of the municipality.

"Rate" shall mean a municipal rate on property as envisaged in Section 229 (1 (a) of the Constitution.

"Rateable property" shall mean property on which the municipality may in terms of Section 2 of the Municipal Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act.

"Ratepayer" shall mean a person who is liable to the municipality for the payment of (a) rates on property in the municipality; (b) any other tax, duty or levy imposed by the municipality; and/or (c) fees for services provided either by the municipality or in terms of a service delivery agreement.

"Rebate" in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Municipal Property Rates Act, 2004 on the amount of the rate payable on the property.

"Refuse charges" means service charges in respect of the collection and disposal of refuse.

"Residential property" shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Municipal Property Rates Act, 2004 as residential.

"Residential property" furthermore means improved property that: -

- (c) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property.

Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;

- (d) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;
- (e) is owned by a share-block company and is used predominantly for residential purposes;
- (f) is a residence used for residential purposes situated on a property used for educational purposes;
- (g) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;
- (h) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

"Sewerage charges" means service charges in respect of the provision of sewerage services.

"Small holding" means

- (a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or
- (b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

"State owned property" excludes any property included in the valuation roll under the category 'residential property' or 'vacant land', but includes any property that is under state control but is still registered in the name of the municipality;

"Tariff" means the scale of rates, taxes, duties, levies or other fees which may be imposed by the municipality in respect of immovable property or for municipal services provided.

"Tariff Policy" means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000.

"Water charges" means service charges in respect of the provision of water.

1.6 PURPOSE OF THE TARIFF POLICY

- 1.7 Apart from meeting legislative requirements, this policy also emanates from the objectives determined in Council's anti-corruption policy.

- 1.8 The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying tariffs by the Umsobomvu Local Municipality.
- 1.9 The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- 1.10 **SCOPE OF APPLICATION**
- 1.11 This policy applies to all tariffs charged within the defined boundaries of Umsobomvu Local Municipality.
- 1.12 **BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE**
- 1.13 Service tariffs imposed by the local municipality shall be viewed as user charges and not as taxes, and therefore the ability of the relevant customer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).
- 1.14 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 1.15 Tariffs for the four major services rendered by the municipality, namely Electricity, Water, Sewerage and Refuse Removal, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- 1.16 The tariff which a particular customer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 1.17 The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and customers in the municipal region.
- 1.18 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and customers in regard to the tariffs which it levies. Such differentiation shall however at all times be reasonable and shall be fully disclosed in each annual budget.
- 1.19 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of customers or users shall be evident to all customers or users of the service in question.
- 1.20 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all customers and users affected by the tariff policy concerned.

- 1.21 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 1.22 In the case of conventional metering systems for electricity and water, the consumption of such services shall be properly metered by the municipality and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on customers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy a monthly fixed charge for electricity and water services.
- 1.23 In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- 1.24 In case of vacant stands, where the services are available but not connected, the municipality shall levy a monthly availability charge which is levied because of fixed costs such as the capital and maintenance costs and insurance of infra structure available for immediate connection. This principle also applies to vacant stands in areas serviced through septic tanks.
- 1.25 The municipality's tariffs for electricity services will be determined to ensure that those customers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such customers during certain periods. These bulk customers shall therefore pay the relevant demand charge as well as an energy charge directly related to their actual consumption of electricity during the relevant metering period.
- 1.26 FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE
- 1.27 Financial Factors**
- 1.27.1 The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service to avoid cross subsidising of services.
- 1.27.2 In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-
- 1.27.2.1 Cost of bulk purchases in the case of water and electricity.
- 1.27.2.2 Distribution costs.
- 1.27.2.3 Distribution losses in the case of electricity and water.
- 1.27.2.4 Depreciation expenses.
- 1.27.2.5 Maintenance of infrastructure and other fixed assets.
- 1.27.2.6 Cost of approved indigent relief measures and cross subsidising of low consumption.
- 1.27.2.7 Administration and service costs, including:-

- (a) service charges levied by other departments such as finance, human resources and legal services;
- (b) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;
- (c) adequate contributions to the provisions for bad debts and obsolescence of stock; and
- (d) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenue, and shall not be included in the costing of the major services of the municipality).

1.27.2.8 The intended surplus to be generated for the financial year. Surplus to be applied:-

- (a) as an appropriation to capital reserves; and/or
- (b) generally in relief of rates.

1.28 Socio-economic factors

1.28.1 Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economic factors the various user categories and forms of subsidisation needs to be considered. Tariffs should also support business initiatives aimed at creating jobs or contribute to the economy of the area.

1.28.2 Users can be divided into the following categories:-

1.28.2.1 Users who are incapable to make any contribution towards the consumption of services and who are fully subsidised;

1.28.2.2 Users who are able to afford a partial contribution and who are partially subsidised only; and

1.28.2.3 Users who can afford the cost of the services in total.

1.28.3 It is important to identify these categories and to plan the tariff structures accordingly. Subsidies currently derived from two sources namely:-

1.28.3.1 Contributions from National Government: National Government makes an annual contribution according to a formula, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.

1.28.3.2 Contributions from own funds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support.

Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.

1.28.4 To make provision for subsidisation the tariff structure can be compiled as follow:-

1.28.4.1 Totally free services (within limits and guide lines);

1.28.4.2 Lower tariffs for users who qualify in terms of particular guide lines, for example to recover the operational costs of the service only; and

1.28.4.3 Full tariff payable with a subsidy that is transferable from sources as mentioned above.

1.29 Minimum service levels

1.29.1 It is important that minimum service levels be determined in order to make an affordable tariff package available to all potential users.

1.30 Credit Control

1.30.1 It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually. Non-payment has a direct effect in that provision for bad debt, in accordance with current payment levels, must be provided as expenditure in the budget.

1.30.2 However, it is also a fact that there are users who are unable to pay. Tariffs must therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a practical policy for indigents. This will ensure the sustainable delivery of services. In addition, adequate provision should be made on an annual basis for bad debt/ working capital in accordance with current payment levels.

1.31 Package of services

1.31.1 The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can profits be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

1.32 Historical and future user patterns

1.32.1 It is important to keep accurate consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that may have an impact on tariffs.

1.33 User groups

1.33.1 Users are traditionally divided into user groups as set out below:-

1.33.1.1 Domestic (Residential);

- 1.33.1.2 Businesses/ Commercial;
- 1.33.1.3 Industries/Bulk customers;
- 1.33.1.4 Farm properties (agricultural);
- 1.33.1.5 Accommodation establishments (guest houses);
- 1.33.1.6 Municipal consumption (departmental charges); and
- 1.33.1.7 Institutions that may be directly subsidised for example retirement homes, schools and hostels, sport organisations, etcetera.
- 1.33.1.8 Special arrangements for specific developments as may be determined by Council from time to time.
- 1.33.2 A continuous effort should be made to group together those users who have more or less the same access to a specific service.
- 1.34 FREE BASIC SERVICES
- 1.35 Free basic municipal services refers to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.
- 1.36 In terms of the South African Constitution all customers should have access to basic services. Currently, the free basic services provided to the domestic customers within the Umsobomvu Local Municipality are as follows: -
 - 1.36.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.
 - 1.36.2 The general threshold for indigent support is restricted to qualifying households with a combined income amount per month less or equal than an amount determined by Council. The municipality recognises the following four levels of indigent support:-
 - 1.36.2.1 Category A - Support to qualifying households where the combined income is equal or less to an amount as determined by Council from time to time. 100% Subsidy.
 - 1.36.2.2 Category B - Support to qualifying households where the combined income is equal or less to an amount as determined by Council from time to time. 50% Subsidy.
 - 1.36.2.3 Category C - Care centres where elderly care is provided. The subsidy will be restricted to a fixed amount per month per resident with an income per month equal or lower than an amount determined by Council. The indigent assistance is rendered in the form of credit on the monthly electricity levy payable by the management of the particular institution. The total subsidy should not exceed the total monthly municipal account.
 - 1.36.2.4 Category D – Churches who are categorised in the Valuation Roll as a ‘Place of public worship’ in terms of the Municipal Property Rates Act and where more than 50% of the

members of that congregation is registered as indigents in terms of the Council's Indigent Policy will be subsidised in terms of all basic services charges only.

1.37 TARIFF STRUCTURES FOR VARIOUS SERVICES

1.38 It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -

1.38.1 The need to reflect costs as accurately as possible in order to achieve cost effectiveness;

1.38.2 The need to ensure equality and fairness between user groups;

1.38.3 The need for a practically implementable tariff;

1.38.4 The need to use appropriate metering and provisioning technology;

1.38.5 The need for an understandable tariff; and

1.38.6 The user's ability to pay.

1.39 Taking into consideration the abovementioned points the tariff structure of the following services are discussed:-

1.39.1 Electricity.

1.39.2 Water.

1.39.3 Refuse Removal.

1.39.4 Sewerage.

1.39.5 Property Rates.

1.40 Electricity

1.40.1 To calculate the tariff for electricity, the actual cost incurred in the supply of electricity to the community, has to be taken into consideration. The principle of basic levies as well as a per unit tariff for electricity is determined by the cost structure. This cost structure consists of the following components:-

1.40.1.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any electricity has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of electricity, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be recovered whether any electricity is used or not. The costs are therefore recovered by means of a fixed levy per period (normally as a monthly basic charge) in order to ensure that these costs are covered.

1.40.1.2 Variable costs: It relates to the physical provision of electricity according to consumption/ demand and must be financed by means of a unit tariff which is payable per kWh/KVA electricity consumed.

1.40.1.3 Profit taking: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

1.40.2 The following tariff structures were basically used for the determination of tariffs:-

1.40.2.1 Inclining block tariff (IBT) tariff structure where customer's consumption is divided into blocks and each subsequent block has a higher energy rate (c/kWh). The tariff structure has been set by NERSA in order to protect / cross-subsidise low income domestic customers and to promote energy efficiency.

1.40.2.2 Single rate energy tariff (all costs expressed in a single cent/kWh charge).

- The IBT for households is as follows: 0 – 50 kWh; 51 - 350 kWh; 351 – 600 kWh and 601 + kWh.

1.40.2.3 Two part tariff (consist of a basic monthly charge plus a variable charge related to metered kWh consumption):-

- Energy rate (c/kWh)
- Basic monthly charge (R/month).

1.40.2.4 Three part tariff:-

- Energy rate (c/kWh)
- Basic monthly charge (R/month)
- Demand charge (R/KVA month with a minimum of 50 KVA– recovers capital costs elements).

1.40.2.5 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

1.40.3 An availability fee will be charged on properties not connected to the electricity network should it be available to that property. This fee aims to recoup capital and maintenance costs in respect of such properties. If the owner connects the service with the intention to improve the property the debit will be adjusted pro-rata from the date of the connection.

1.41 Water

1.41.1 Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. In order to cut consumption, an inclining block rate tariff structure with a basic fee is applied. In principle, the amount that users pay for water services should generally be in proportion to their use of water services. Tariffs must be set at levels that facilitate the sustainability of the service.

1.41.2 To calculate the tariff for water, the actual cost incurred in the supply of water to the community, has to be taken into consideration. The principle of basic levies as well as a kilolitre tariff for water is determined by the cost structure. Similar to electricity, this cost structure consists of the following components:-

1.41.2.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infra structure. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a fixed levy per period (normally on a monthly basis) in order to ensure that these costs are covered.

1.41.2.2 Variable costs: It relates to the physical provision of water according to demand and must be financed by means of a unit tariff which is payable per kilolitre water consumed.

1.41.2.3 Profit taking: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

1.41.3 The following tariff structures were basically used for the determination of tariffs:-

1.41.3.1 Single-leg water consumption for users with pre-paid meters; and

1.41.3.2 Two-leg tariff consisting of a basic charge based on the size of the water connection and consumption for users with conventional meters.

1.41.3.3 An availability fee will be charged on users and/or properties not connected to the water network, should it be available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties. If the owner connects and improve the property the debit will be adjusted pro-rata from the date of the connection.

1.41.3.4 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

1.41.3.5 Inclining block tariff (IBT) tariff structure where customer's consumption is divided into blocks and each subsequent block has a higher consumption rate (c/kl). The tariff structure has been set by Council in order to protect/ cross-subsidise low income domestic customers and to promote water consumption efficiency.

1.42 Refuse Removal

1.42.1 Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

1.42.2 A customer who chooses to do his/her own refuse removal will still be liable for paying the applicable refuse tariff.

1.42.3 The tariff levied by Umsobomvu Local Municipality is based on the category of property as determined in the valuation roll.

1.42.4 The following tariff structures were basically used for the determination of tariffs:-

1.42.4.1 Residential (domestic customers) – maximum of one removal per week (black bag system).

1.42.4.2Accommodation Establishments – maximum of one removal per week (black bag system).

1.42.4.3Business/ Commercial/ Industrial (Non – Bulk) – maximum of two removals per week.

1.42.4.4Business/ Commercial/ Industrial (Bulk) - maximum of three removals per week.

1.42.4.5Business/Commercial/Industrial (Bulk) - four or more, with a maximum of seven removals per week.

1.42.4.6Additional removals – More than the maximum removals as per 8.5.4.1 - 8.5.4.4.

1.42.4.7Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

1.42.4.8Garden refuse removals – maximum of one removal per week.

1.43 Sewerage

1.43.1 Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

1.43.2 The following tariff structures were basically used for the determination of tariffs:-

1.43.2.1The tariff levied for waterborne sewerage systems is based on the size of the water connection.

1.43.2.2The tariff levied for suction tanks will consist of a basic charge plus a fixed amount per withdrawal.

1.43.2.3Customers who are not connected to the waterborne sewerage network but who can reasonably be connected shall pay an availability tariff. However, owners of vacant stands in an area serviced through suction tanks only will not pay the availability tariff for waterborne sewerage but only pay the basic tariff for suction tanks.

1.43.2.4Customers in an area serviced through a waterborne sewerage network who prefer not to connect to such a service but remain with a suction tank will be charged the monthly basic tariff for a 50mm water connection and not the basic tariff for septic tanks. In addition, such customers will also pay a fixed fee per withdrawal.

1.43.2.5Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

1.44 Property Rates

1.44.1 The rate levied by the municipality will be a cent amount in the Rand based on the market value of the property.

1.44.2 In terms of the Municipal Property Rates Act, 2004 the municipality may levy different rates for different categories of rateable property. Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and by way of reductions and rebates as provided for in the municipality's property rates policy.

- 1.44.3 In terms of section 17 (1) (e) of the Municipal Finance Management Act municipality's property rates policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

1.45 ELECTRICITY TARIFF POLICY

Electricity is supplied under a distribution license, granted by NERSA for a specific area of jurisdiction, which regulates inter alia the following aspects:-

- a. Classification of customer categories.
- b. Permissible tariff structure options are determined at a national level and distributors are obliged to apply these structures to obtain uniformity.
- c. All tariff structures and tariffs must be approved by NERSA prior to application thereof by a distributor.

1.46 Domestic Customers

This tariff covers the supply of electricity for domestic use in private dwellings, flats and chalets with separate meters and includes churches, schools, welfare buildings, hospitals, halls or similar premises with circuit breaker sizes not in excess of 63A single phase or 63A three phase.

Should customers require supplies in excess hereof, the Commercial Customer or Bulk Supply tariff will be applicable. A phased approach will be implemented to convert existing customers who have traditionally been charged at different tariffs towards these criteria.

Domestic customers with circuit breaker sizes in excess of 63A will be allowed until latest 30 June 2013 to reduce their circuit breaker size to 63A. Thereafter, the Business or Bulk tariff, as applicable, will be applied to these customers.

1.46.1 Customers with Conventional Meters

1.46.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Two part tariff:
 - i. Fixed monthly charge (R/month). The fixed monthly charge is determined by the installed circuit breaker size.
 - ii. Energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh

Block 3: 351 to 600 kWh

Block 4: >600 kWh

1.46.2 Pre-paid Customers

1.46.2.1 Pre-paid users, if applicable, are charged at an inclining block tariff per unit based on the number of kWh purchased, which is determined as follows:-

Block 1: 0 to 50 kWh

Block 2: 51 to 350 kWh

Block 3: 351 to 600 kWh

Block 4: >600 kWh

1.46.2.2 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases.

1.46.2.3 Registered Indigents receive a number of kWh units fully subsidised every month, as determined by Council on an annual basis. Where possible, Council may limit the supply to indigent consumers to 20A single phase.

1.46.3 Pre-paid Customers with Homes not Occupied on a Full-time Basis

1.46.3.1 Pre-paid meters installed in homes not occupied on a full-time basis will pay the conventional meter tariff if the property is not occupied for at least nine months per year

1.46.3.2 A two-part tariff structure as per the conventional users is applied in respect of pre-paid meters installed in holiday homes (see 9.1.1.b). Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases. The fixed monthly charge will be billed to the owner/tenant of the property, and the energy will be purchased via the pre-paid meter.

1.46.3.3 When a home that is not occupied on a full-time basis becomes occupied permanently the standard pre-paid tariffs will be re-instated after an application is received from the owner and it is approved by the Municipality.

1.46.3.4 It is the owner's responsibility to ensure that the status of his/her property is correct. In this regard, the owner must submit a sworn affidavit when applying for a conversion.

1.47 Commercial/ Business Customers/ Accommodation Establishments

This tariff covers the supply of electricity to shops, office buildings, hotels, accommodation establishments, clubs, industrial undertakings, Builder's supplies or similar premises with circuit breaker sizes not in excess of 63A single phase or 100A three phase.

Should customers require supplies in excess hereof, the Bulk Supply tariff will be applicable. A phased approach will be implemented to convert existing customers who have traditionally been charged at different tariffs towards these criteria. Commercial customers with circuit

breaker sizes in excess of 63A single phase or 100A three phase will be allowed until latest 30 June 2012 to reduce their circuit breaker sizes. Thereafter, the available Commercial or Bulk tariffs will be applied to these customers.

1.47.1 Customers with Conventional Meters

1.47.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Two part tariff:
 - i. Fixed monthly charge (R/month). The fixed monthly charge is determined by the installed circuit breaker size.
 - ii. Energy rate (c/kWh). The energy rate is charged at a single rate tariff per unit based on the number of kWh consumed.

1.47.2 Pre-paid Customers

1.47.2.1 Pre-paid users, if applicable, are charged at a single rate tariff per unit based on the number of kWh purchased.

1.47.2.2 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases or the blocking of purchases will be introduced.

1.48 Industrial/ Bulk Customers

1.48.1 The Bulk Supply tariff is for Customers with a notified maximum demand of 71kVA or more or who require a supply greater than a 100Amp three phase circuit breaker size.

1.48.2 These customers are billed as follow:-

1.48.2.1 Three part tariff.

- (a) Fixed monthly charge (R/month).
- (b) Demand charge (R/kVA month – recovers capital costs elements).
- (c) Energy rate (c/kWh). The energy rate is charged at a single rate tariff per unit based on the number of kWh consumed.

1.49 Farm Properties (Agricultural)

1.49.1 These customers are billed as per the tariffs applicable which have been determined by the Council.

1.50 Streetlights

1.50.1 A Fixed monthly charge (R/month) and an Energy rate (c/kWh) will be applied per streetlight metering point.

1.51 Special Arrangements

- 1.51.1 Other tariffs may be applicable which has been determined by the Manager: Technical Services or Council by special agreement with specific clients. This will only be considered when special circumstances prevail.

1.52 Departmental

- 1.52.1 The respective Commercial and Bulk Supply tariffs as per Item No's 9.2 and 9.3 above will be applicable to all municipal buildings, pump stations, waste water works, water treatment works, etc.

1.53 Electricity sundry tariffs

- 1.53.1 All other electricity related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

1.54 WATER TARIFF POLICY

A decision to equalise tariffs was already taken in 2001 by Council. This resolution was never implemented to date. On 1 July 2011 this resolution will be implemented with no phase in process. Tariffs below have therefore been determined taking this resolution account.

1.55 Domestic /Commercial /Business /Accommodation Establishments

- 1.55.1 Customers are billed as follow:-

1.55.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

1.55.1.2 A basic charge is payable on all properties that are connected to the water network based on the size of the water connection, regardless of whether any water is used.

1.55.1.3 Registered Indigents receive their basic levy for water either fully or 50% subsidised every month, as determined by Council on an annual basis.

1.55.1.4 Registered Indigents receive an amount of water fully subsidised every month, as determined by Council on an annual basis.

1.55.1.5 Installation of prepaid water meters are only allowed for registered indigents and in approved low cost housing schemes.

1.55.1.6 Domestic customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-

- (a) 1 to 6 kl
- (b) 7 to 20 kl
- (c) 21 to 30 kl
- (d) > 30 kl

1.56 Businesses and Industries

1.56.1 Customers are billed as follow:-

- 1.56.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.
- 1.56.1.2 A basic charge is payable on all properties that are connected to the water network based on the size of the water connection, regardless of whether any water is used.
- 1.56.1.3 Customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-
 - (a) 1 to 60kl
 - (b) 61 kl and above

1.57 All other Customers

1.57.1 All other customers are billed as follow:-

- 1.57.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.
- 1.57.1.2 A basic charge is payable on all installations, based on the size of the water connection.
- 1.57.1.3 Customers are billed for consumption at a fixed tariff per kilolitre based on the number of kilolitres consumed.

1.58 Special Arrangements

1.58.1 Where two or more dwellings/ flats/ offices are feeding from one main connection to a property, the customers are billed as follow:-

- 1.58.1.1 A basic charge is payable on all properties that are connected to the water network based on the size of the smallest water connection (20mm), regardless of whether any water is used.
- 1.58.1.2 Customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage as per 10.1.1.6)

1.59 Water Delivery in Rural Areas

1.59.1 Customers are billed as follow:-

- 1.59.1.1 A fixed predetermined amount will be charged per kilometre to cover the transport.
- 1.59.1.2 The actual man hour cost to cover the total cost of employment.
- 1.59.1.3 The actual cost of the water based on the applicable tariff for purified or raw water as charged for all other customers (see 10.2.1.3).

1.59.1.4 A surcharge of 20% on the total cost of the transaction.

1.60 Water Restrictions

1.60.1 The availability of bulk water resources will be monitored throughout the year by Council.

1.60.2 When so required, Council will take a resolution to implement water restrictions.

1.60.3 Any penalties payable on water consumption as a result of water restrictions will be implemented in the month following the Council resolution; regardless of the meter reading dates (water consumed prior to the resolution date may therefore also be subject to penalties).

1.61 Water Sundry Tariffs

1.61.1 All other water related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

1.62 REFUSE TARIFF POLICY

1.63 Refuse Removal Tariffs

1.63.1 The fees for refuse removal are based on the category of property as determined in the valuation roll.

1.63.2 The Council has determined the following categories for refuse removal:-

1.63.2.1 Residential (domestic customers) – maximum of one removal per week.

1.63.2.2 Accommodation Establishments - maximum of one removal per week.

1.63.2.3 Business/ Commercial/ Industrial (Non – Bulk) – maximum of two removals per week.
Businesses situated in residential areas will only be serviced once a week.

1.63.2.4 Business/ Commercial/ Industrial (Bulk) - maximum of two removals per week.

1.63.2.5 Additional removals – More than the maximum removals as per 11.1.2.1 – 11.1.2.4.

1.63.2.6 Special tariff arrangements determined and approved by Council from time to time for specific developments. In terms of the current arrangements, all developments with ten or more units that have created a central collection point for refuse will qualify for a reduced tariff as determined by Council on an annual basis.

1.63.3 Registered Indigents receive their refuse removal service either fully or 50% subsidised every month, as determined by Council on an annual basis.

1.64 Refuse Removal Sundry Tariffs

1.64.1 All other refuse removal related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

1.65 SEWERAGE TARIFF POLICY

1.66 Waterborne Sewerage Systems

- 1.66.1 An availability charge is payable on all properties where a connection to the sewer network is possible, but not in use.
- 1.66.2 The Council charges a monthly fee per property based on the size of the water connection for all properties.
- 1.66.3 Registered Indigents receive their basic levy for sewerage service either fully or 50% subsidised every month, as determined by Council on an annual basis.

1.67 Suction Tanks

- 1.67.1 A basic charge is payable on all installations.
- 1.67.2 Customers in an area serviced through a waterborne sewerage network who prefer not to connect to such a service but remain with a suction tank will be charged the monthly basic tariff for a 50mm water connection and not the basic charge for septic tanks.
- 1.67.3 The Council charges a fixed fee per withdrawal.
- 1.67.4 Vacant stands in an area serviced through suction tanks will pay an availability charge which is equal to the basic tariff for suction tanks.
- 1.67.5 The subsidy for registered indigents will also be applicable to qualifying indigents with no waterborne sewerage but serviced through VIP toilets. The subsidy will be restricted to the basic levy for suction tanks as well as one withdrawal per month.

1.68 Withdrawal from Suction Tanks

- 1.68.1 Customers are billed as follow:-
 - 1.68.1.1 A fixed predetermined amount will be charged per kilometre to cover the transport.
 - 1.68.1.2 The actual man hour cost to cover the total cost of employment.
 - 1.68.1.3 The actual cost of one withdrawal (see 12.2.2).
 - 1.68.1.4 A surcharge of 20% on the total cost of the transaction.

1.69 Special Arrangements

- 1.69.1 Where two or more dwellings/ flats/ offices are feeding from one main connection to a property, the customers are billed as follow:-
 - 1.69.1.1 A basic charge is payable on all properties that are connected to the sewerage network based on the size of the smallest water connection (20mm).

1.70 Sewerage sundry tariffs

- 1.70.1 All other sewerage related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

1.71 PROPERTY TAX POLICY

1.72 Property Tax Tariffs

- 1.72.1 Property rates are levied as determined by Council from time to time and is covered in the Property Rates Policy and Bylaw of the Umsobomvu Municipality.

- 1.72.2 Any property that is under state control but is still registered in the name of the municipality shall be liable for property tax as provided for in the Property Tax Policy and Credit Control Policy and By-Law of the municipality;

1.73 Property Tax Sundry Tariffs

- 1.73.1 All other property tax related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

1.74 SUNDRY TARIFFS

- 1.75 A variety of sundry tariffs are applied to recoup costs of sundry services to the public. All such tariffs are based on cost of supply, but individual tariffs may be set at:-

- 1.75.1 Subsidised levels;

- 1.75.2 Levels reflecting actual cost; or

- 1.75.3 Levels producing profits.

- 1.76 The level at which the Council sets a sundry service tariff, takes into account factors such as:-

- 1.76.1 Affordability;

- 1.76.2 Socio-economic circumstances;

- 1.76.3 Utilisation of amenities and resources;

- 1.76.4 National and regional agreements and provisions; and

- 1.76.5 Any other factors influencing such decisions.

- 1.77 Sundry tariffs and structures will be revised at least once a year, during the annual budgeting process.

1.78 IMPLEMENTATION AND REVIEW OF THIS POLICY

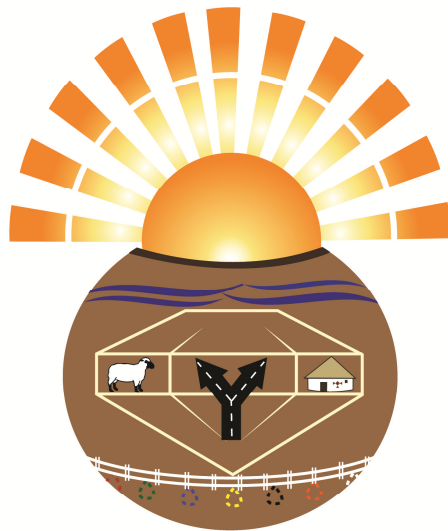
- 1.79 This policy shall be implemented once approved by Council. All future tariff charges must be considered in accordance with this policy.

- 1.80 In terms of section 17(1)(e) of the Municipal Finance Management Act this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the

budget process.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	.././2018	dd	.. May 2018



Umsobomvu Municipality
Continuously Rising

TRAVEL & SUBSISTENCE POLICY

TRAVEL AND SUBSISTENCE POLICY

TABLE OF CONTENTS

1	DEFINITIONS
2	PURPOSE
3	GENERAL
4	ETHICS SUBSCRIBED AND PRESCRIBED
5	REFERENCE
6	LEGAL FRAMEWORK
7	SCOPE OF APPLICATION
8	AUTHORISATION
9	APPROVAL FOR THE PAYMENT OF COSTS INCURRED AS A RESULT OF TRAVELLING AND SUBSISTENCE FOR ATTENDING TO OFFICIAL BUSINESS OF THE MUNICIPALITY
10	USE OF AIRLINES
11	USE OF VEHICLES
12	DOMESTIC TRAVEL, SUBSISTENCE AND ACCOMODATION
13	MISCELLANEOUS EXPENSES
14	TRAVEL AND SUBSISTENCE ALLOWANCES FOR APPLICANTS INVITED FOR INTERVIEWS
15	INTERNATIONAL TRAVEL, SUBSISTENCE AND ACCOMMODATION
16	SPONSORED TRIPS
18	INSURANCE
18	GIFTS AND PROMOTIONAL GOODS
19	PRECAUTIONARY MEASURES WITH REGARD TO TRAVEL ARRANGEMENTS
20	COUNCIL DELEGATES
21	OTHER

22	DEVIATIONS
23	TRAVEL AND SUBSISTENCE ALLOWANCE CLAIM FORM
24	CONTRAVENTIONS OF THE POLICY
25	LIABILITY
26	INDEMNITY
27	REIMBURSEMENT

DRAFT

1. DEFINITIONS

For the purpose of this policy, except where clearly indicated otherwise, the words and expressions set out below have the following meaning:-

“Accounting Officer” The person appointed by the Council as Municipal Manager in terms of section 54A of the Municipal Systems Act, 2000 (Act 32 of 2000) and as defined in the Municipal Finance Management Act, 2003 (Act 56 of 2003), including any person acting in that position or to whom authority is delegated;

“Chief Financial Officer” The person appointed in terms of section 80(2)(a) of the MFMA and includes any person acting in that position or to whom authority is delegated;

“Council” The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa, 1996; and section 18 (3) of the Municipal Structures Act, 1998 (Act 118 of 1998)

“Councillor” A member of the UMSOBOMVU Municipal Council.

“Management Team” Officials appointed in terms of Section 54A and 56 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).

“Mayor” The Mayor of the Umsobomvu Municipality elected in terms of Section 48 of Municipal Structures Act, 1998 (Act 118 of 1998).

“Manager” An official appointed by the Council in terms of section 56 of the Municipal Systems Act, 2000 (Act 32 of 2000) to head a Department of the municipality

“Municipality” Umsobomvu Municipality, established in terms of sections 12 and 14 of the Structures Act.

“Traveller” Any councillor, official or person travelling away from his or her normal place of domicile and employment on the official business of the Umsobomvu Municipality.

“Subsistence allowance” A subsistence allowance is an amount of money paid by the municipality to a traveller for expenditure incurred in respect of personal subsistence (meals – including reasonable gratuity) and incidental costs (for example refreshments, snacks, drinks and newspapers but excludes any personal recreation, such as visits to a cinema, theatre or nightclubs or sight-seeing).

“Travel Allowance” A travel allowance is any amount paid to an employee in respect of travelling expenses for business purpose.

“Partial sponsored trip” Where a portion of the total cost is sponsored by a donor or third party. (For the purposes of this policy such proportion of the total cost of the trip to be included in the application forms).

2. PURPOSE

- 2.1 The purpose of this policy is to lay down general rules for the payment of subsistence and travelling allowances or costs for the attendance of approved events outside the municipal area of Umsobomvu and matters related thereto.
- 2.2 It is a further purpose of this policy to ensure that travellers for municipal purposes are reimbursed in clear and pre-determined manner.
- 2.3 Whereas this policy document promotes honesty and integrity in the claiming of actual travelling and subsistence expenses, does it also provides for measures in dealing with contraventions of this policy

3. GENERAL

- 3.1 The contents of this policy will not be regarded as conditions of employment but as a re-imbursement for travelling and subsistence expenditure incurred or deemed to be incurred for the attendance of events for official purposes.
- 3.2 Any councillor must have the approval of the Mayor or his/her delegatee for the attendance of events for which compensation is claimed. Any staff member must have the approval of the Manager or his delegatee and any Manager must have the approval of the Municipal Manager or his delegatee for the attendance of events for which compensation is claimed. Claims are only payable if sufficient provision is made for it on the budget.
- 3.3 Any claim must be submitted on the official claim form with the necessary vouchers where specific expenses are claimed.
- 3.4 Any claim containing false information will lead to disciplinary steps being instituted and payments thus made may be recovered from any money payable by the municipality to the person who submitted the claim.
- 3.5 All efforts should be made to minimise the costs for the municipality i.e. by travelling together in one vehicle, minimising overnight stay where possible, etc.
- 3.6 A claim for subsistence and travelling cannot be made with the municipality as well as another institution for attending the same event. (Double dipping) Such action shall lead to disciplinary action.
- 3.7 In the event that a traveller attends a meeting, workshop, etc. on behalf of another institution, the travelling and subsistence costs shall borne by and claimed from the institution by the traveller if the travelling and or subsistence costs is payable by the institution.
- 3.8 A claim on behalf of the municipality shall be submitted to the institution for the benefit of the municipality if the trip is undertaken with municipal transport, failing which the costs will be for the travellers own account and shall be deducted from his/her salary.
- 3.9 Sufficient documentation must be attached to the application for the trip e.g., official invitation, agenda or programme, itinerary, details of sponsor and amount, etc.

4. ETHICS SUBSCRIBED AND PRESCRIBED

- 4.1 This policy adopts the understanding that each person who may claim for compensation as a result of expenses incurred by attending official business

of the municipality is aware of the provisions of this policy and any legislation, directives, circulars or agreements that governs municipal finances and that by the submission of a claim, the claimant warrants such knowledge.

- 4.2 Claims in terms of this policy shall at all times be honest in respect of actual expenditure and shall be made in such a manner that the integrity of municipality has and cannot be brought into disrepute or damaged in any manner whatsoever.
- 4.3 This policy underwrites the goal of the municipality to be a corruption-free, honest, efficient and cost effective institution and as such shall all matters with regard to breaches of any provisions of this policy or legislative requirements that may be applicable, be dealt with strictly and consistently as set out herein.

5. REFERENCE

This Policy must be read in conjunction with any of the Municipality's approved related policies, practices and standard operating procedures addressing specific issues essential for a full understanding of this Policy and which are not dealt with adequately herein.

6. LEGAL FRAMEWORK

This policy is developed and guided by the following:

- 6.1 South African Revenue Services (SARS)
- 6.2 Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- 6.3 South African Local Government Association (SALGA)
- 6.4 Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998)
- 6.5 Income Tax Act, 1962 (Act No. 58 of 1962)
- 6.6 Local Government Municipal Systems Act, 2000 (Act 32 of 2000)
- 6.7 National Treasury

7. SCOPE OF APPLICATION

- 7.1 This Policy is applicable to –
 - 7.1.1 All councillors of the Umsobomvu Municipality, and
 - 7.1.2 All officials of the Umsobomvu Municipality,
 - 7.1.3 Applicants for employment interviews, travelling on official business and as such are formal travellers of the Umsobomvu Municipality.
 - 7.1.4 Ward Committee members travelling on official business on behalf of the municipality.
 - 7.1.5 Any person who are invited/appointed to do work on behalf of the municipality (Disciplinary hearings, Audit Committee, Oversight Committee and or any other statutory appointments).

8. AUTHORISATION

- 8.1 Only the Municipal Manager may authorize any travel to be undertaken by Managers, or payments to be made for persons invited for interviews,

disciplinary hearings, Audit Committee meetings, Oversight Committee meetings and or any other statutory appointment, provided the expenses to be incurred are on the approved budget of the relevant department.

- 8.2 The Mayor must recommend any travel request to be undertaken by holders of Public Office, and the Municipal Manager must authorise such expenditure, provided the expenses to be incurred are on the approved budget of the municipality.
- 8.3 Only Managers may authorize any travel to be undertaken by employees in the respective Departments, but provided the expenses to be incurred are on the approved budget of the municipality and in the absence of a Manager due to leave or work commitments, claims may be authorised by the Municipal Manager.
- 8.4 Authorization as per paragraph 8.1, 8.2 and 8.3, must be obtained prior to an occasion by any traveller who travels on the business of the municipality.
- 8.5 An invitation to attend a workshop, meeting or related event is not an automatic authorization to attend such workshop or event. The required authorization must still be obtained from the Municipal Manager or Mayor or a Manager as the case may be.
- 8.6 The Council shall, subject to any financial constraints, and taking into account the necessity for the municipality to be officially represented, have the authority to nominate and or to appoint any Councillor or person in the employ of the municipality to attend to any official business of the municipality.
- 8.7 In respect of members of Ward Committees, the Municipal Manager shall have the authority to approve official journeys of such members provided that a report on such journeys shall be submitted to the relevant Portfolio Committee.

9. APPROVAL FOR THE PAYMENT OF COSTS INCURRED AS A RESULT OF TRAVELLING AND SUBSISTENCE FOR ATTENDING TO OFFICIAL BUSINESS OF THE MUNICIPALITY

- 9.1 In the instance that the Mayor and or Councillors submit a claim to attend official business of the municipality, the Municipal Manager or his delegates shall authorise claims for payment.
- 9.2 In the instance that a Manager attends official business of the municipality, the Municipal Manager or his delegates shall authorise claims for payment.
- 9.3 In the instance that any other official submits a claim to attends official business of the municipality, the relevant departmental Manager or another Manager in consultation with the departmental Manager shall authorise claims for payment.
- 9.4 In the instance where a claim submitted by any traveller is the subject of dispute after being signed and certified as correct by the traveller, such claim shall be:
 - (i) Adjudicated by the Council in the instance the claim is submitted by the Mayor;
 - (ii) Adjudicated by the Mayor in the instance the claim is submitted by the Municipal Manager;
 - (iii) Adjudicated by the Municipal Manager in the instance the claim is submitted by a Manager;

- (iv) Adjudicated by a Manager in the instance the claim is submitted by the an official;
 - (v) Adjudicated by the Chief Whip in the instance the claim is submitted by the Ward Committee member.
- 9.5 In the instance where the claim in dispute proves to incorrect due to a *bona fide* mistake, the claim shall be corrected and the decision of the Adjudicator in 9.5 (i) to (v) shall be final and binding.
- 9.6 In the instance where the claim in dispute proves to be false due to gross dishonesty or *male fide* conduct, the matter shall be dealt with in accordance with clause 24 hereunder.

10. USE OF AIRLINES

- 10.1 For domestic trips both major and low-cost airlines may be utilised.
- 10.2 For international trips all major airlines may be utilised.
- 10.3 Preference will be given to airlines which operate direct flights between Bloemfontein, Kimberley and the destination.
- 10.4 For special trips requiring the use of helicopters or chartered aircrafts, special authorisation by the Municipal Manager or his delegated nominees is required.
- 10.5 The Mayor, Councillors, Municipal Manager and Managers shall travel by means of economy class on international flights and economy class on national flights at the best available fare to the airport closest to the authorised destination, plus the relevant first class rail, motor coach or boat fare, or any reasonable combination thereof necessary to complete the journey to the said destination.
- 10.6 In all other cases, the most economical airfare shall be paid for all members of the Council and for officials of the municipality who travel by air abroad and within the boundaries of South Africa to the airport closest to the authorised destination, plus the relevant first class rail, motor coach or boat fare, or any reasonable combination thereof necessary to complete the journey to the said destination; provided that, in the case of all members of the Council and all Municipal officials, where there are:
- (a) Time constraints and/or when economy class flights are not available, business class may be authorised by the Mayor or Municipal Manager or their nominees.
 - (b) Physical and /or medical reasons (supported by the submission of a letter from a registered medical practitioner) why a member of council or an official may not travel in economy class, the Mayor or Municipal Manager or their nominees may authorise travel by means of business class.
 - (c) Representatives who travel on the business of the municipality must appreciate, at all times, that they are ambassadors for the municipality, that their actions, conduct and statements must be in the best interests of the municipality, and that they must comply with any specific mandates they have been given.

11. USE OF VEHICLES

- 11.1 Hired vehicles shall be applied for, quantified and paid for by the municipality.

- 11.2 Only travellers with a valid South African driver's licence may hire vehicles for municipal business. Where the traveller who hires a vehicle for municipal business, is not in possession of such licence, he or she shall be held personally liable for all damages and may be subject to disciplinary action by Council. The responsibility and related costs of obtaining an international driving permit, where required, rests with the traveller.
- 11.3 Only category "B" vehicles may be rented by officials, the Mayor, Councillors, Municipal Manager and Managers, unless it is more cost-effective to hire a more expensive vehicle, for example, when the number of representatives involved could justify the hire of a micro-bus, for groups of 5 (five) or more travellers. The latter to be approved in advance by the Mayor or Municipal Manager, according to the provisions as provided for in 8.2 and 8.3.
- 11.4 For physically handicapped travellers who are only able to drive a particular type of vehicle and those in possession of a driver's license restricted to automatic vehicles: the most suitable vehicle.
- 11.5 Employees who are in receipt of a fixed transportation allowance, or where such an allowance has been factored into the total cost of employment package of the official concerned and employees who are not in receipt of a travel allowance shall be reimbursed according to the latest prescribed km tariff issued by the Department of Transport, calculated from their place of work or residence, which-ever is the nearest to the place of the approved event.
- 11.6 Those employees who are in receipt of an Essential User Transportation Allowance shall be reimbursed in accordance with the applicable Scheme. The travelling distance shall be calculated from their place of work.
- 11.7 Councillors using private transport for claimable municipal business inside and outside the boundaries of the Umsobomvu Municipality will be reimbursed according to the guidelines issued by the Department of Transport.
- 11.8 A claim submitted by a Councillor or a municipal official, when travelling outside the municipal area of the Umsobomvu with private transport on official municipal affairs may claim travelling disbursement from the place of work and will be considered for re-imbursement, subject to the following conditions:
- (i) That the trip is for an approved official event;
 - (ii) That no other municipal transport was available at the time of the travel for employees not in receipt of a travel allowance;
 - (iii) That the use of a private transport is pre-approved by the Municipal Manager or relevant Manager.
- 11.9 Booking arrangements may not be made on behalf the municipality. In the event that bookings must be made by travel agencies, the stipulations of the Travel and Subsistence Policy of the municipality shall be adhered to.
- 11.10 Senior managers travelling on official business inside the boundaries of Umsobomvu municipality shall not be compensated for kilometers travelled.
- 11.11 Senior managers travelling on official business outside the boundaries of Umsobomvu municipality shall be reimbursed for kilometres travelled according to the guidelines issued by the Department of Transport, calculated from their place of work or residence, which-ever is the nearest to the place of the approved event.

12. DOMESTIC TRAVEL: SUBSISTENCE ALLOWANCE AND ACCOMMODATION

- 12.1 When travelling to a destination outside the boundaries of the Umsobomvu Municipality in circumstances requiring absence from the office for longer than 24 hours, the following may be utilised and claimed: (the time of departure from residence or office up until the time of arrival back at residence or office shall be used for purposes of calculating the length of absence):
- (i) Travellers who travel on the business of the municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in a hotel, motel, guesthouse or bed and breakfast establishment.
 - (ii) The actual cost of accommodation will be borne by the municipality for the accommodation itself in respect of domestic travel. Where such accommodation is available, the rate for a single standard room will be payable.
 - (iii) If no such accommodation is available, higher rating accommodation can be used subject to the prior approval of the Municipal.
 - (iv) If a traveller stays with a relative or friend, no accommodation allowance may be claimed, but the traveller may claim a day allowance per day as per this policy.
 - (v) The Mayor, Municipal Manager and Councillors may overnight in a five star accommodation establishment.
 - (vi) Managers may overnight in a four star accommodation establishment.
 - (vii) Other municipal officials and Ward Committee members may overnight in a two star accommodation establishment.
 - (viii) Councillors, officials, Ward Committee members and candidates for interviews requesting to make their own accommodation arrangements at accommodation establishments shall be paid an amount not exceeding the limits as imposed by SARS, provided that no further accommodation cost will be entertained by the municipality.
 - (ix) The location of the accommodation establishment should not be more than 10 km from the venue of the event, unless approved by the Municipal Manager.
 - (x) Where any person requires accommodation in a higher class as set out herein, such person may request an upgrade provided that the difference in approved costs and the cost of the upgrade shall be for the account of the municipality, provided that an acceptable explanation is provided and that the request is approved by the municipality.
 - (xi) Changes in travel and accommodation arrangements shall only be effected by a Supply Chain official.
 - (xii) Any wasted costs resulting from amendments to any air travel or accommodation arrangements shall be for the account of the person requesting such a change except in the event that the changes has been required by the municipality or the organisers of the municipal official business to be attended.
- 12.2 A traveller may claim a daily subsistence allowance as provided for in this policy with the understanding that all authorized personal expenses are

covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see below), may be claimed.

- 12.3 A day allowance will only be payable when-
- (i) official business unavoidably entails one or more nights to be spent away from home, a day allowance of as per SARS guidelines per day will apply in respect of domestic travel;
 - (ii) representatives attend official business and the total hours away from the workplace are more than 24 hours.
- 12.4 No overtime claims may be submitted for travelling time to the place of official business or to the official's normal place of work.
- 12.5 A traveller of the municipality must obtain approval for his or her subsistence allowance, as provided for in this policy, at least three days before embarking on any official trip.
- 12.6 No subsistence allowance will be paid, and no traveller will be entitled to a subsistence disbursement, if the trip or travel is not related to the official business of the municipality. All travel on business of the municipality must be approved as such before a traveller is entitled to a subsistence allowance.
- 12.7 Where special circumstances exist which necessitate a deviation from the above restrictions, the prior approval of the Municipal Manager or his nominees are to be obtained.
- 12.8 Rates set for Domestic Accommodation (Hotel/Guest House)

Accommodation Grid			
Voucher Includes	Band 1	Band 2	Band 3
	Room only + Tourism levy + VAT	Bed and Breakfast +Tourism levy + VAT	Dinner, Bed and Breakfast + Tourism levy + VAT + 1 x Soft Drink at Dinner
Graded Hotel	Band 1	Band 2	Band 3
1 Star property	R580.00	R710.00	R810.00
2 Star property	R650.00	R800.00	R925.00
3 Star property	R1 100.00	R1 200.00	R1 400.00
4 Star property	R1 250.00	R1 350.00	R1 550.00
5 Star property	R2 100.00	R2 200.00	R2 500.00
Bed and Breakfast or Guest House	Band 1	Band 2	Band 3
1 Star property	-	R180.00	R270.00
2 Star property	-	R250.00	R350.00
3 Star property	-	R400.00	R520.00
4 Star property	-	R600.00	R750.00
5 Star property	-	R800.00	R975.00
S & T Allowance	Band 1	Band 2	Band 3
Breakfast	R50.00	-	-
Lunch	R120.00	R120.00	-
Dinner	R180.00	R180.00	-
Total as per policy	R350.00	R300.00	-

The cost of lunch shall only be claimable in the event that food was not supplied at the meeting/workshop/event or the person is en-route to or from his/her destination. The amount will be limited to R120.00 plus a soft drink for sit-down lunches. All take-away meals will be limited to R80.00 plus a soft drink.	
Parking, toll fees, laundry , taxi fees, bus fees, train fees	Fees are claimable – subject thereto that cash slips are handed in, failing which the costs incurred are for the travellers account.
Other expenditure	No costs for any beverages, special room services and entertainment or telephone costs shall be reimbursed.
Gratuity fees	Subject to proof of payment and capped to a maximum of 10% of the bill or S & T maximum amounts for breakfast, lunch and supper, whichever is the lowest, excluding alcoholic beverages and non-claimable items

Where it is not possible to include the costs of breakfast or lunch or dinner in an accommodation package and where it is not provided at the venue of the municipal business, maximums per person as set out above shall be paid as an advance, subject to the provision of cash slips to be handed in upon return, failing which the advances will be recovered from the relevant traveller.

- 12.9 All travel arrangements shall be in accordance with the Supply Chain Management Policy of the municipality and shall only be done by a Supply Chain Management official or an official mandated by the Municipal Manager.
- 12.10 Travellers are personally responsible to cancel accommodation and or travel arrangements that have been reserved, booked and or paid for upfront in the event that they will not make use the booking or reservation due to whatever reason. Failure to cancel reservations and bookings in accordance with the cancellation policy of the accommodation establishment or travel agency and which failure results in fruitless and wasteful expenditure shall be borne by the traveller and recovered from his/her salary.
- 12.11 Overnight accommodation will be limited to instances where the distance travelled by road by employees, Councillors and any other persons travelling on behalf of the municipality, exceeds 500 kilometres to and from the destination (return journey).
- 12.12 Municipal fleet vehicles shall be used by all travellers to travel to a place of municipal business, except those officials in receipt of a travel allowance, Councillors, Audit Committee members, Oversight Committee members and or any other statutory appointed person. All employees who are not in receipt of a travel allowance shall obtain permission to make use of private vehicles from their departmental managers prior to the undertaking of a trip.

13. NET AND NON-COMMISSIONABLE RATES

All rates offered to the municipality will net and non-commissionable. This will include the informal accommodation such as Guest Houses and Bed and Breakfast establishments

14. REBATES, OVERRIDES AND VOLUME BASED INCOME

Payments and the practice of rebates, overrides or any volume driven target incentives paid by suppliers to Travel Management Companies are to be discontinued as from the approval of this policy.

15. TRAVEL AND SUBSISTENCE ALLOWANCES FOR APPLICANTS INVITED FOR INTERVIEWS/PERSONS ON COUNCIL BUSINESS

- 15.1 Travelling costs to attend an interview or a person on municipal business shall be reimbursed if the applicant's place of residence is outside the Umsobomvu Municipal boundaries, according to the latest prescribed SARS km tariff, calculated from their place of residence, subject to the conditions as stipulated in paragraph 8.2.5.
- 15.2 Stipulations and upper limits as prescribed in this policy must at all times be confirmed by the Human Resources Section to all applicants, who will on pre-arrangement, be responsible for their own Air Ticket arrangements, when invited for interviews, in order to represent a valid claim for reimbursement in terms of this policy.
- 15.3 Booking of accommodation for applicants invited for interviews, must at all times be done by the Supply Chain Management Section in conjunction with the Human Resources Section, in accordance with the stipulations and upper limits as prescribed in this policy.
- 15.4 Stipulations and upper limits as prescribed in this policy must at all times be confirmed by the Human Resources Section, to all applicants who will on pre-arrangement, be responsible for their own booking of rental vehicles, in order to represent a valid claim for reimbursement in terms of this policy.
- 15.5 A daily subsistence allowance as per this policy will only be applicable where the interview entails one or more nights to be spent away from home, with the understanding that all personal expenses are covered by the subsistence allowance. No further expenses may be claimed.

16. INTERNATIONAL TRAVEL, SUBSISTENCE AND ACCOMMODATION

- 16.1 The authorisation for undertaking international journeys in order to attend official municipal business shall, subject to any financial and other constraints, vest with the Council.
- 16.2 When traveling in countries other than in South Africa on specially authorised municipal business, the expenses actually incurred for accommodation and official transport will be payable.
- 16.3 The daily subsistence allowance is to cover all meals, transport for private use and other incidental costs, this subsistence allowance for international travel will be in accordance with SARS Foreign Travel 1.1 List of Daily Maximum Amount per Country, as amended by SARS from time to time.
- 16.4 No additional claim in respect of such costs will therefore be paid, except for entertainment by full-time Councillors or the Management Team, of official guests, clients, potential clients, investors or potential investors which is to be dealt with as "entertainment allowance" claims.

17. SPONSORED TRIPS

17.1 LOCAL SPONSORED TRIPS

- (i) A trip shall be regarded as sponsored when the full / partial cost of the trip is borne by an institution other than the Umsobomvu Municipality. Such sponsored proportion of the total cost of the trip must be declared in the application for the trip.
- (ii) Travelling and Subsistence payable by the Umsobomvu Municipality will be calculated as the difference between the amounts claimable per this policy less the monetary value of the sponsored amounts.

17.2 INTERNATIONAL SPONSORED TRIPS

- (i) A trip shall be regarded as sponsored when the full/ partial cost of the trip is borne by an institution other than the Umsobomvu Municipality. Such sponsored proportion of the total cost of the trip must be declared in the application for the trip.

17.3 Travelling and Subsistence payable by the Umsobomvu Municipality will be calculated as the difference between the amounts claimable per this policy less the monetary value of the sponsored amounts.

18. INSURANCE

18.1 Travellers, where the necessary travel and special leave forms have been duly authorised by the delegated official will be insured by the municipality, subject to the terms and conditions of its current approved policies, practices, rules and provisions of its insurance portfolio and standard operating procedures.

18.2 The insurance shall cover, subject to 18.1 the following:

- (i) medical expenses and assistance services;
- (ii) personal accident, including death and disability, as well as repatriation and evacuation;
- (iii) luggage;
- (iv) travel documents;
- (v) personal liability; and
- (vi) cancellation, curtailment, and default on travel and accommodation.

18.3 Insurance cover is only for the period that the traveller is away from home or place of work on a trip relating to municipal business.

18.4 Private vehicles will not be covered under this Policy.

18.5 Hired vehicles are automatically covered for both Super Waiver Damage and Theft by the vehicle rental company.

18.6 The municipality shall not accept any liability for the payment of:

- (i) Any traffic fines issued, irrespective of whether the vehicle used was a rental, municipal or private vehicle.
- (iii) Any damage to a rental vehicle, municipal vehicle, private vehicle, property of third parties or the vehicle or vehicles of third parties in the event of the driver being under the influence of alcohol or any other intoxicating substance, and

18.7 The driver of a rental or municipal vehicle involved in an accident or in the event of theft of a rental or municipal vehicle must follow the procedures for reporting accidents and theft in terms of the policy on Vehicle Use and Vehicle Accidents.

19. GIFTS AND PROMOTIONAL GOODS

- 19.1 Where appropriate, the traveller may give gifts.
- 19.2 The gifts in question shall be provided by the municipality, through the appropriate department.
- 19.3 Suitable promotional and marketing products shall be supplied, on request, by the appropriate department of the Municipality.

20. PRECAUTIONARY MEASURES WITH REGARD TO TRAVEL ARRANGEMENTS

- 20.1 Whereas the municipality recognise the institutional capacity of both its political office bearers and municipal officials, the following arrangements shall be maintained in order to ensure that institutional capacity is not totally lost in the instance of disaster and or accidents.
 - 20.1.1 The Mayor and Municipal Manager, at any time where practically possible, not travel together in the same vehicle or aeroplane, provided that this requirement shall not be applicable to journeys undertaken within the boundaries of the municipality.
 - 20.1.2 No more than five Councillors, at any time where practically possible, not travel together in the same vehicle or aeroplane, provided that this requirement shall not be applicable to journeys undertaken within the boundaries of the municipality.
 - 20.1.3 The Municipal Manager and the Chief Financial Officer, at any time where practically possible, not travel together in the same vehicle or aeroplane, provided that this requirement shall not be applicable to journeys undertaken within the boundaries of the municipality.
 - 20.1.4 Where practically possible, no more than two Managers may at any time when attending to official business of the municipality, travel together in the same vehicle or aeroplane, provided that this requirement shall not be applicable to journeys undertaken within the boundaries of the municipality.
- 20.5 Precautionary travel arrangements of other employees shall be at the discretion of the Municipal Manager, with due regard to the most effective manner of travelling, provided that no more than four municipal officials shall be permitted to travel together in the same vehicle, provided that this requirement shall not be applicable to journeys undertaken within the boundaries of the municipality.

21. COUNCIL DELEGATES

Municipal delegates or travellers to any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event. If any traveller fails to do so, the Mayor, the Municipal Manager or Manager as the case may be, may recover all allowances and disbursements paid to enable such delegate or traveller to attend such event, provided that such delegate or traveller is afforded the opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.

22. OTHER

- 22.1 Accommodation, flights and vehicle rental arrangements will be based on the most cost effective option in relation to the proximity of the venue, traffic, availability and other cost factors. Due to impracticality, the stipulations of the Supply Chain Policy may be disregarded in this matter.
- 22.2 In the event of payments made by officials for traveling and accommodation, refunds will only be made on condition that the expense was pre-approved in accordance with the stipulations of this policy and that all aspects of this policy have been complied with.

23. CONSULTANTS

In the event that Consultants needs to travel on behalf of Council and travel and subsistence are excluded from contract, the costs must be in accordance with the following provisions:

- (a) Hotel accommodation may not exceed the amount stipulated in the policy;
- (b) Only economic class air tickets may be purchased for flights;
- (c) Only group B vehicles or lower may be hired;
- (d) Kilometres claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport;

24. DEVIATIONS

Any deviation from this policy for whatsoever reason must be authorized by the Municipal Manager.

25. TRAVEL AND SUBSISTENCE ALLOWANCE CLAIM FORM

The official Travel and Subsistence Allowance claim form, as prescribed by Chief Financial Officer must be used with regard to Travel and Subsistence Allowance applications.

26. CONTRAVENTIONS OF THE POLICY

- 26.1 The following shall be regarded as contravention of the policy:
- (i) The submission of a false claim.
 - (ii) The submission of any kilometre claim not calculated at the shortest return distance by road from point of departure to destination and back, provided that the road is safe to drive taking into consideration the type of vehicle. (No gravel roads may be used for travelling, provided that a gravel road is the only road available to reach the destination)
 - (iii) Claims for official business not attended and or not remaining present for the full duration of the business attended.
 - (iv) Claims not kept to the absolute minimum.
 - (v) Not immediately, or on the first practical occasion, refunding any advances received in respect of official business that was to be attended but not attended.
 - (vi) Any false certification for payment of any claim.

- (vii) The submission of any claim without the required documentary proof, where applicable.
 - (viii) Any contravention of the Supply Chain Management Policy procedures relating to travel and subsistence as well as wilful and or negligent contravention of this policy.
- 26.2 Contravention of the policy shall be regarded as contravention of the Disciplinary Code and Procedure Collective Agreement and or Codes of Conduct, where applicable.
- 26.3 In the instance of contravention of the policy by the Mayor or a Councillor, the matter shall be reported to the full Council and the matter shall be dealt with in accordance to the Code of Conduct for Municipal Councillors.
- 26.4 In the instance of contravention of the policy by the Municipal Manager, the matter shall be reported to the Mayor and the matter shall be dealt with in accordance to the Code of Conduct for Municipal Officials and the Disciplinary Code and Procedure for Senior Managers.
- 26.5 In the instance of contravention of the policy by a Manager the matter shall be reported to the Municipal Manager and the matter shall be dealt with in accordance to the Code of Conduct for Municipal Officials and the Disciplinary Code and Procedure for Senior Managers.
- 26.6 In the instance of contravention of the policy by any other official, the matter shall be reported to the Municipal Manager and the matter shall be dealt with in accordance to the Code of Conduct for Municipal Officials and the Disciplinary Code and Procedure Collective Agreement.
- 26.7 In the instance of contravention of the policy by a Ward Committee member, the matter shall be reported to the full Council and the matter shall be dealt with in accordance to the policy on Ward Committees.
- 26.8 Expenditure claimed shall at all times be consistent with and compliant to the Regulations on Unauthorised, Irregular and Fruitless Expenditure

27. LIABILITY

- 27.1 The driver of a vehicle rented by the municipality or an employee of the municipality in that vehicle may not at any time admit guilt or liability for any damage or accident to a rental vehicle or any other vehicle or property as a result of an accident or incident, nor may the driver or employee make or receive payments in regard to any accident or incident.
- 27.2 The municipality shall not accept any liability for the payment of:
- 27.2.1 Damage, loss or breakage of any personal possessions or vehicle of any person attending official municipal business or in respect of travelling to and from or waiting for commencement of such official business.
- 27.2.2 Any traffic fines issued, irrespective of whether the vehicle used was a rental, municipal or private vehicle.
- 27.2.3 Any damage to a rental vehicle, private vehicle, municipal vehicle or property of third parties in the event of the driver being under the influence of alcohol or any other intoxicating substance.
- 27.2.4 The loss of life or personal injury to any person as a result of an accident which occurred during any official trip.
- 27.3 The driver of a rental vehicle involved in an accident or in the event of theft of a rental vehicle must follow the procedures for reporting accidents and theft in terms of the policy on Vehicle Use and Vehicle Accidents.

28. INDEMNITY

- 28.1 The driver of a municipal vehicle, private vehicle or rental vehicle shall prior to any trip where private persons are transported for official municipal business ensure that each and every private person travelling in such a vehicle, complete and sign an indemnity form holding the municipality harmless against any claims, actions, damage or injury.

29. REIMBURSEMENT

- 29.1 Claims for reimbursement of travelling and subsistence costs shall be submitted within 5 working days upon return and payment shall be made within 5 working days from the date of submission of a claim.
- 29.2 The Municipal Manager and departmental Managers shall have the authority to approve the payment of advances on anticipated travelling costs to be incurred in the attendance of official municipal business.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	../../2018	dd	.. May 2018



UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

Table of Contents

1. Introduction	3
2. Restriction on the incurring of expenditure	3
3. Withdrawal of money from a municipal bank account	4
4. Defining concepts	5
5. Recovery of unauthorised, irregular, fruitless and wasteful expenditure	10
6. Role of council committee	10
7. Writing off of unauthorised, irregular, fruitless and wasteful expenditure is no excuse in criminal and disciplinary proceedings	11
8. Liability of political office bearers for unauthorised expenditure	11
9. Liability for unauthorised expenditure deliberately or negligently incurred	11
10. Reporting of unauthorised, irregular or fruitless and wasteful expenditure	12
11. Reporting of irregular expenditure, theft and fraud	12
12. Remuneration of councillors and irregular expenditure	13
13. Irregular staff appointments	14
14. Enforcing proper financial management through disciplinary and criminal proceedings	14
15. Offences by councillors	18
16. Criminal sanctions - councillors, senior managers and other officials	19
17. Civil liability of municipality, structures, office bearers and officials	20
18. Process to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure	20
Annexure A Register for unauthorised, irregular, fruitless and wasteful expenditure	28
Annexure B SCM Regulation 36 (1) (b)	29
Annexure C Irregular expenditure – Step by Step process	30
Annexure D Irregular expenditure – Accounting framework	31

1. Introduction

Municipalities are organs of state within the local sphere of government that collect monies from the public in the form of rates, taxes, levies, surcharges, duties and service charges, receive grants from national and provincial government and borrow for capital expenditure or bridging finance for short term purposes. These resources are appropriated by Council for the purpose of fulfilling its powers and functions, primarily to deliver services, in accordance with their mandate as set out in sections 151, 153 and 156 of the Constitution.

In terms of section 4(2) (a) of the Municipal Systems Act (MSA) the council has a duty to use the resources of the municipality in the best interest of the local community. This duty is extended to individual councillors through the Code of Conduct for Councillors which states that a councillor must:

- i. “perform the functions of office in good faith, honestly and in a transparent manner, and
- ii. at all times act in the best interests of the community and in such a way that the credibility and integrity of the municipality are not compromised.”

In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “the Act”), the accounting officer is responsible for managing the financial affairs of the municipality and he/she must, for this purpose, inter alia:

- (a) take all reasonable steps to ensure that:
 - unauthorised; and
 - irregular; and
 - fruitless and wasteful expenditure; and
 - other losses are prevented; and
- (b) ensure 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 of the Act.

This policy is aimed at providing the accounting officer with an overview of legislation pertaining to unauthorised, irregular, fruitless and wasteful expenditure and the recovery of same where applicable.

2. Restriction on the incurring of expenditure

Section 15 of the Act provides that a municipality may, except where otherwise provided therein, incur expenditure only -

- a) in terms of a budget approved by the council or by a provincial or the national executive following an intervention in terms of section 139 of the Constitution and also an annual budget as revised by an adjustments budget in terms of section 28 of the Act; and

- b) within the limits of the amounts appropriated for the different votes in an approved budget.

3. Withdrawal of money from a municipal bank

In terms of section 11(3) of the Act, money may be withdrawn from a bank account of the municipality without appropriation (without further budget approval) in terms of an approved budget for the following purposes:

- a) to defray expenditure authorised in terms of section 26 (4) which provides that, until a budget for the municipality is approved, funds for the requirements of the municipality may, with the approval of the MEC for local government, be withdrawn from the municipality's bank accounts subject to certain conditions and restrictions;
- b) to defray unforeseeable and unavoidable expenditure authorized by the mayor in emergency or other exceptional circumstances in terms of section 29 (1) of the Act and the council's applicable policy;
- c) in the case of a bank account opened in terms of section 12 of the Act for relief, charitable and trust purposes, to make payments from such account but only by or on the written authority of the accounting officer acting in accordance with decisions of the council and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated;
- d) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including money collected by the municipality on behalf of that person or organ of state by agreement or any insurance or other payments received by the municipality for that person or organ of state;
- e) to refund money incorrectly paid into a bank account;
- f) to refund guarantees, sureties and security deposits;
- g) for cash management and investment purposes in accordance with the cash and investment policies of the municipality;
- h) to defray increased expenditure in terms of section 31 of the Act which relates to the shifting of funds between multi-year appropriations;
- i) for such other purposes prescribed under the Act.

4. Defining concepts

“Unauthorised expenditure” is incurred by the municipality otherwise than in accordance with section 15 or 11 (3), 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 of money made to the municipality by the national government from revenue raised nationally contrary to the condition(s) of such allocation or an allocation of money to a municipality in terms of a provincial budget;
- f) a grant by the municipality otherwise than in accordance with the Act.

Essentially, “unauthorised expenditure” includes overspending on the total amount of the budget, overspending on a vote, the incurring of expenditure unrelated to a vote and the incurring of expenditure for a purpose other than the approved purpose.

It should be noted that “unauthorised expenditure” excludes “irregular” expenditure. Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

With reference to MFMA section 1(b) – a municipality’s operational and capital budgets are divided into ‘votes’ which represent those components of the budget that have amounts appropriated for the financial year, for different departments or functional areas. The Municipal Budget and Reporting Regulations (MBRR) prescribe the structure and formats of municipal budgets, including votes, in Tables A1 to A10. Votes are informed by Table A3 (Budgeted Financial Performance: revenues and expenditure by municipal vote) and Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding). Budget Table A4 (Budgeted Financial Performance: revenue and expenditure) by implication is approved by the council and as such must also be taken into consideration when determining unauthorised expenditure. In other words, when considering unauthorised expenditure from an operating budget both Table A3 and A4 (read in conjunction with the supporting table SA1) of the MBRR would have to be considered. Overspending must also be determined in relation to each of the votes on both the operational budget and the capital budget. Where Council has approved a virement policy that allows the accounting officer to make limited shifts of funds between votes, must also be taken into account.

With reference to MFMA section 1(c) – funds appropriated in a vote for a department may not be used for purposes unrelated to the functions of that department. In other words, an accounting officer or other official may not use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget. Where a Council has approved a virement policy, shifts made in accordance with that policy may be allowed, and must be taken into account when reviewing such expenditure.

With reference to MFMA section 1(d) – in addition to appropriating funds for a department’s vote, the Council may also appropriate funds for a specific purpose within a department’s vote, for

example, for specific training initiatives or a capital project. Funds that have been designated for a specific purpose or project may not be used for any other purpose.

With reference to MFMA section 1(e) – the items referred to in the definition of ‘allocation’ are national and provincial conditional grants to a municipality and other ‘conditional’ allocations to the municipality from another municipality or another organ of state. Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure.

With reference to MFMA section 1(f) – section 67 of the MFMA regulates the transfer of municipal funds to organizations and bodies outside government. In terms of this section, a municipality may only provide grants to organizations and NOT individuals. Therefore any grant to an individual is unauthorised expenditure, unless it is in terms of the municipality’s indigent policy or bursary scheme.

Therefore, valid expenditure decisions can only be made by council in terms of a budget or an adjustments budget. It follows that only the council may authorise instances of unauthorised expenditure and council must do so through an adjustment budget. This principle is further reiterated in section 32(2)(a)(i) of the MFMA read with regulation 25 of the MBRR which states that unauthorised expenditure must be authorised by the municipality in an adjustments budget that is approved by the municipal council. This is the rationale for the provisions in regulation 23(6) of the MBRR which provides the legal framework for the authorisation of unauthorised expenditure.

“Expenditures that are NOT classified as unauthorised expenditure”

Given the definition of unauthorised expenditure, the following are examples of expenditures that are NOT unauthorised expenditure:

- a) Any over-collection on the revenue side of the budget as this is not an expenditure; and
- b) Any expenditure incurred in respect of:
 - (i) any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
 - (ii) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - (iii) overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a ‘vote’ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and
 - (iv) overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a ‘vote’ on the main budget Table A5.

“Unauthorised expenditure on non-cash items”

Such expenditure relates to debt impairment, depreciation, asset impairment, transfers and grants as appropriated in Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) of the MBRR.

Although these expenditures are considered non-cash items as there is no transaction with any service provider or supplier, an under provision during the budget compilation process is a material misstatement of the surplus or deficit position of the municipality. This could be the result of poor budgeting or financial management, or unknown events that gave rise to the asset and debt impairment after the adoption of the budget. In this regard Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) must be read in conjunction with supporting Table SA1 of the MBRR.

“Unforeseen and unavoidable expenditure”

Unforeseen and unavoidable expenditure is discussed in section 29 of the MFMA and reads as follows:

- a) The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.
- b) Any such expenditure—
 - i. must be in accordance with any framework that may be prescribed;
 - ii. may not exceed a prescribed percentage of the approved annual budget;
 - iii. must be reported by the mayor to the municipal council at its next meeting; and
 - iv. must be appropriated in an adjustments budget.
- c) If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies.

The framework referred to in section 29(2)(a) of the MFMA is prescribed in chapter 5 of the MBRR, and contained in regulation 71 and 72. The following shall apply:

- i. the amount the mayor authorised as unforeseen and unavoidable expenditure exceeds the monetary limits set in regulation 72 of the MBRR, the amount in excess of the limit is unauthorised;
- ii. the reason for the mayor authorising the unforeseen and unavoidable expenditure does not fall within the ambit of regulation 71(1) of the MBRR, the expenditure is unauthorised;
- iii. the reason for the mayor not authorising the unforeseen and unavoidable expenditure falls outside the ambit of regulation 71(2) of the MBRR, the expenditure is unauthorised; and

- iv. the council does not appropriate the expenditure in an adjustments budget that is passed within 60 days after the expenditure was incurred, the expenditure is unauthorised.

“Irregular expenditure” occurs in the following circumstances:

- a) Where the expenditure concerned is incurred by the municipality or a municipal entity in contravention of, or that is not in accordance with, a requirement of the Act, and which has not been condoned in terms of section 170 thereof. In terms of section 170 of the Act, National Treasury may, on good grounds, approve a departure from a treasury regulation or from any condition imposed in terms of the Act. Non-compliance with a regulation made in terms of section 168 or with a condition imposed by the National Treasury in terms of the Act may, on good grounds shown, also be condoned by the National Treasury.
- b) Expenditure incurred by the municipality or a 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 the 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 the 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 “unauthorised expenditure”.

The accounting officer may, in terms of section 36(1)(b) of the Municipal Supply Chain Management Regulations, ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature. The accounting officer must record the reasons for any deviations and report them to the next meeting of the council or board of directors in the case of a municipal entity, and include same as a note to the annual financial statements.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

A “vote” means 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 which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

“Overspending” occurs in the following circumstances:

- a) where the operational or capital expenditure incurred by the municipality during a financial year exceeds the total amount appropriated in that year's budget for operational or capital expenditure, as the case may be;
- b) in relation to a vote, in the event of expenditure exceeding the amount appropriated for that vote; or
- c) where expenditure pending the approval of the budget of the municipality exceeds the amount permissible in terms of section 26(5) of the Act. In terms of this sub-section, funds withdrawn from a municipality's bank accounts in terms of sub-section (4) may be used only to defray current and capital expenditure in connection with votes for which funds were appropriated in the approved budget for the previous financial year and any withdrawal may not, during any month, exceed eight per cent of the total amount appropriated in that approved budget for current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year and exceed the amount actually available.

“Fruitless and wasteful expenditure”

The Act defines “fruitless and wasteful expenditure” as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

5. Recovery of unauthorised, irregular, fruitless and wasteful expenditure

Section 32 (2) of the Act provides that the municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless that expenditure is:

- a) in the case of unauthorised expenditure, authorised in an adjustments budget or certified by the council, after investigation by a council committee, as irrecoverable and written off by the council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

6. Role of council's Municipal Public Accounts Committee(MPAC)

In terms of section 74 the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April, 2009, a council committee appointed to investigate the recoverability or otherwise of any unauthorised, irregular or fruitless and wasteful expenditure must consider –

- a) the measures already taken to recover such expenditure;

- b) the cost of the measures already taken to recover such expenditure;
- c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
- d) submit a motivation explaining its recommendation to the council for a final decision.

The municipal manager must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.

The aforesaid committee may only comprise councillors and should not include political office bearers of the municipality. At least 3 councillors are required to constitute a committee.

It should be noted that the council is required by resolution to certify that the expenditure concerned is considered irrecoverable and that it should be written off. This power may not be delegated by the council.

An audit committee established in terms of section 166 of the Act is not precluded from assisting the appointed committee with its deliberations.

7. Writing off of unauthorised, irregular, fruitless and wasteful expenditure is no excuse in criminal and disciplinary proceedings

In terms of section 32 (5) of the Act, the writing off of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of the Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

8. Liability of political office bearers for unauthorised expenditure

Without limiting liability in terms of the common law or other legislation, a political office-bearer of the municipality is, in terms of section 32(1)(a) of the Act, liable for unauthorised expenditure if that office-bearer either knowingly or after having been advised by the accounting officer that the expenditure concerned is likely to result in unauthorised expenditure, instructed an official of the municipality to incur such expenditure.

The Act defines a “political office-bearer” as the speaker, mayor or a member of the executive committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act, 1998.

9. Liability for unauthorised expenditure deliberately or negligently incurred

Section 32 (1) (b) (c) and (d) of the Act provides that, without limiting liability in terms of the common law or other legislation:

- a) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by him or her, subject to section 32 (3). The accounting officer accordingly incurs

liability for unauthorised expenditure deliberately or negligently incurred unless he / she informs the council or the mayor, as the case may be, in writing that a decision which has been taken, if implemented, is likely to result in unauthorised expenditure;

- b) any political office-bearer or official of the municipality who deliberately (intentionally) or negligently (failed to take adequate care) committed, made or authorised an irregular expenditure, is liable for that expenditure; or
- c) any political office-bearer or official of the municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

An “official” of the municipality has a wider meaning than an employee or staff member of the municipality and includes -

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

10. Reporting of unauthorised, irregular or fruitless and wasteful expenditure

Section 32 (4) of the Act requires the accounting officer to promptly inform the mayor, the MEC for local government and the Auditor-General, in writing, of -

- a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- c) the steps that have been taken -
 - i. to recover or rectify such expenditure; and
 - ii. to prevent a recurrence of such expenditure.

11. Reporting of irregular expenditure, theft and fraud

Section 32 (6) of the Act obliges the accounting officer to 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.

The council must, in terms of section 32(7) of the Act and through the mayor, take all reasonable steps to ensure that all cases of irregular expenditure incurred as a result of a criminal offence, theft and fraud are reported to the South African Police Service if -

- a) the charge is against the accounting officer; or

- b) the accounting officer failed to comply with section 32(6) (referred to above) of the Act.

12. Remuneration of councillors and irregular expenditure

Section 167 (1) of the Act provides that a municipality may remunerate its political office-bearers (speaker/mayor) and members of its political structures (councillors), but only -

- a) within the framework of the Remuneration of Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members; and
- b) in accordance with section 219 (4) of the Constitution.

Section 167(2) of the Act provides that any remuneration paid or given in cash or in kind to a person as a political office-bearer or as a member of a political structure of a municipality otherwise than in accordance with sub-section (1), including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure, and the municipality -

- a) must, and has the right to, recover that remuneration from the political office-bearer or member concerned; and
- b) may not write-off any expenditure incurred by the municipality in paying or giving that remuneration. It should be noted that the Government Notice increasing the upper limits of the salary and allowances of councillors normally contains the following preamble:

“The salary and allowances of a member of a municipal council is determined by that municipal council by resolution of a supporting vote of a municipality of its members, in consultation with the member of the Executive Council responsible for local government in the province concerned, having regard to the upper limits as set out hereunder, the financial year of municipal councils, and the affordability of municipal councils to pay within the different levels of remuneration of councillors”.

For purposes of implementing this Government Notice, “in consultation with” means that municipalities will require the concurrence of the member of the Executive Council responsible for local government in the province concerned.”

The above preamble has the effect that irregular expenditure will occur in the event of councillor salaries and allowances being increased prior to the consideration of a report thereon by the council on such adjustment, budgetary provision, affordability and the adoption of the required resolution. Irregular expenditure will also occur in the event of existing salaries and allowances being increased without prior consultation with the MEC for local government in the province.

It should further be noted that the municipality is obliged to recover any irregular expenditure from councillors and that same cannot be written off as irrecoverable.

In the case of the overpayment of salaries and allowances, this recovery may be by way of set-off from subsequent similar payments due to the councillors concerned.

13. Irregular staff appointments

- a) Section 66 (3) of the System Act provides that no person may be employed in a municipality unless the post to which he or she is appointed, is provided for in the staff establishment of the municipality as approved by the council.
- b) If a person is employed contrary to subparagraph (a), the decision to employ such person as well as the ensuing contract of employment between the parties is null and void and of no force or effect.
- c) Any person who takes a decision contemplated in subparagraph (a) knowing that such decision is unlawful, may be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.

14. Enforcing proper financial management through disciplinary, criminal and civil proceedings

The Act seeks to secure compliance with its provisions by creating both acts of misconduct, dealt with in disciplinary proceedings, and offences, which are prosecuted in criminal proceedings.

As pointed out above, section 62 (1)(e) of the Act provides that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and he/she must, for this purpose, inter alia, take all reasonable steps to ensure 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. The accounting officer has discretionary power to institute criminal proceedings against the official concerned. No discretionary power exists with regard to the taking of disciplinary action. The final decision to institute criminal proceedings will, however, lie with state prosecuting authorities.

The taking of disciplinary action against an official who allegedly committed an act of financial misconduct is not a bar against the laying of a criminal charge based on the same facts and a criminal prosecution does not bar the municipality from instituting disciplinary action against such official.

The course of action to be adopted will depend on the seriousness of the alleged act of misconduct, the prevalence of such conduct in the municipality and the provisions of the council's fraud and anti-corruption policies. It is essential for a consistent approach to the taking of disciplinary action and the institution of criminal proceedings to be adopted and implemented.

Disciplinary proceedings

The Act defines specific acts of misconduct for accounting officers, chief financial officers', other senior managers or officials who have delegated powers or duties in the area of financial management.

Section 171(1) of the Act provides that an act of financial misconduct is committed by a municipal manager if he or she deliberately or negligently commits one of the following acts:

- a) contravenes any provision of the Act;
- b) fails to comply with a duty imposed on an accounting officer under the Act;
- c) makes, permits or instructs another municipal official to make an unauthorised, irregular, or fruitless and wasteful expenditure; or
- d) provides incorrect or misleading information in any document that must be supplied in terms of the Act to the mayor, the council, the Auditor-General, any other organ of state (such as the provincial treasury) or the public.

The chief financial officer also commits an act of misconduct when he or she deliberately or negligently fails to carry out any delegated duty, or contravenes or fails to comply with a condition of a delegated power or duty. A chief financial officer may not make, permit or instruct another municipal official to incur unauthorised, irregular, or fruitless and wasteful expenditure, or provide incorrect or misleading information to the accounting officer for incorporation into any written report which must be submitted to the mayor or the council, the Auditor-General, National Treasury, any other organ of state or be made public. Any of these acts constitute acts of misconduct. Similar acts of misconduct are created for senior managers and other officials exercising management responsibilities.

A “senior manager” is a manager referred to in section 56 of the Municipal Systems Act, namely a manager directly accountable to the municipal manager.

Once allegations of financial misconduct have been made against the accounting officer, the chief financial officer, a senior manager or any officials, the municipality (presumably the council as political structure) must cause the matter to be investigated. This duty does not arise where these allegations are frivolous (not serious), vexatious (without ground and aimed at causing annoyance or embarrassment), speculative or obviously unfounded. In the event that allegations are made against an official other than the accounting officer, the latter must oversee the investigation. If the accounting officer is the accused, the mayor bears the responsibility of overseeing the investigation.

If the investigation reveals a *prima facie* case of financial misconduct, the municipality must institute disciplinary proceedings against the responsible officer in accordance with the systems and procedures referred to in section 67 of the Municipal Systems Act, read with Schedule 2 of that Act (the staff code of conduct) (in the case of the accounting officer, by the mayor and, in the case of other staff, by the accounting officer).

Section 67(1) of the Municipal Systems Act provides that a municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration including those relating to disciplinary procedures. These systems and procedures apply to a person referred to in section 57 of this Act (i.e. managers directly accountable to the municipal manager), except to the extent that they are inconsistent with that person’s employment contract.

Disciplinary action against an official on the grounds of financial misconduct will normally be undertaken in terms of the Disciplinary Procedure and Code of the South African Local Government Bargaining Council (the Disciplinary Code). This Code is not entirely suitable for disciplinary action against senior staff of a municipality and particularly the accounting officer. The fact that the municipality (the council) must cause alleged acts of misconduct by the accounting officer and senior managers to be investigated is in conflict with the provisions of the Code. In the absence of any contractual provisions in the employment contracts of these staff members regulating disciplinary matters, the provisions of the Code must, however, be applied.

Section 29 of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 contained in GN R805 of 1 August 2006 reads as follows:

“29. The employer will be entitled to terminate the employee’s employment contract for any sufficient reason recognized by law, provided that the employer must comply with its disciplinary code and procedures, in the absence of which the disciplinary code and procedures of the South African Local Government Bargaining Council will apply, as well as in accordance with the Labour Relations Act, 1995 (Act No. 66 of 1995). “

The Disciplinary Procedure and Code must be read in conjunction with the Code of Conduct for Municipal Staff contained in Schedule 2 to the Municipal Systems Act and it is essential for charges of alleged financial misconduct to accurately describe the alleged transgressions.

The Disciplinary Code contains several acts of misconduct by staff which could constitute financial misconduct and it is possible to institute disciplinary action against an accounting officer and senior manager without reference to the acts of financial misconduct referred to in section 171(1) of the Act.

Criminal proceedings

Certain acts committed by councillors, the chief financial officer, senior managers and other officials are deemed to constitute criminal conduct. The seriousness of these offences is apparent from the fact that any offence in terms of section 173 of the Act carries a prison sentence of up to five years or an appropriate fine determined in terms of applicable legislation.

A wide array of conduct is subject to criminal sanction.

- (1) The accounting officer of a municipality is guilty of an offence if he or she -
 - a) deliberately or in a grossly negligent way -
 - i. contravenes or fails to comply with a provision of section 61 (2) (b), 62 (1), 63 (2) (a) or (c), 64 (2) (a) or (d) or 65 (2) (a), (b), (c), (d), (f) or (i);
 - ii. fails to take reasonable steps to implement the municipality’s supply chain management policy referred to in section 111;
 - iii. fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure; or

- iv. fails to take all reasonable steps to prevent corruptive practices -
 - (aa) in the management of the municipality's assets or receipt of money; or
 - (bb) in the implementation of the municipality's supply chain management policy;
- b) deliberately misleads or withholds information from the Auditor-General on any bank accounts of the municipality or on money received or spent by the municipality; or
- c) deliberately provides false or misleading information in any document which in terms of a requirement of this Act must be -
 - (aa) submitted to the Auditor-General, the National Treasury or any other organ of state; or
 - (bb) made public.

Three elements of the above offences require closer attention. Firstly, the *actus reus* (the voluntary and wrongful act or omission that constitutes the physical components of a crime) can either be an act or an omission. An "act" consists of a direct contravention of a legal provision, while an 'omission' consists of the failure to comply with a positive duty imposed by statute. In proving the *actus reus*, there must be evidence that, for example, a municipality did not have or maintain "a management, accounting and information system that accounts for the assets and liabilities of the municipality". This is an objective assessment. The second element of the offence is the establishment of a causal link between any action or omission by the accounting officer and the objective state of affairs. It must be shown that the officer either acted contrary to a provision or failed to take all reasonable steps required by a provision. Once the *actus reus* elements have been established, the *mens rea* must be proved; the action or omission must either have been deliberate or the result of gross negligence.

Given the high premium placed on the supervisory roles of the Auditor-General, the National Treasury and the province, the deliberate misleading or withholding of information from them, has been criminalised. The accounting officer may not deliberately mislead or withhold information from the Auditor-General on any municipal bank account or on money received or spent. Likewise, the accounting officer may not deliberately provide false or misleading information in any document which must be submitted to the Auditor-General, the National Treasury, or any other organ of state, or made public.

Civil proceedings

Losses or damages suffered by the municipality because of an act committed or omitted by an official constitutes a debt owing to the municipality and must be recovered from such an official if that official is liable in law.

The accounting officer must determine the amount of the loss or damage and, in writing, request that official to pay such amount within 30 days or in reasonable instalments. If the official fails to

comply with the request, the matter must be handed to the municipality's attorneys for the recovery of the loss or damage plus accrued interest through civil process.

15. Offences by councillors

In terms of section 173(4) of the Act, a councillor is guilty of an offence if he or she-

- a) deliberately influences or attempts to influence the accounting officer, the chief financial officer, a senior manager or any other official of the municipality to contravene a provision of the Act or to refrain from complying with a requirement of this Act;
- b) interferes in the financial management responsibilities and functions assigned in terms of the Act to the accounting officer of the municipality or delegated to the chief financial officer of the municipality in terms of the Act;
- c) interferes in the financial management responsibilities and functions assigned in terms of the Act to the accounting officer of a municipal entity under the sole or shared control of the municipality; or
- d) interferes in the management or operational activities of a municipal entity under the sole or shared control of the municipality.

16. Criminal sanctions - councillors, senior managers and other officials

Councillors and officials of the municipality are also subject to criminal sanctions if they:

Section	Offence
79	Deliberately or in a grossly negligent* way contravene or fail to comply with a condition of a delegation of power.
173(5)(a)	Deliberately or in a grossly negligent way impede an accounting officer from complying with a provision of the Act.
173(5)(b)	Deliberately or in a grossly negligent way give incorrect, untrue or misleading information material to an investment decision relating to borrowing by the municipality.
173(5)(b)	Illegally withdraw money from a municipal bank account.
173(5)(d)	Fail to disclose material information when the municipality borrows money.
173(5)(e)	Interfere in the supply chain management system.
173(5)(f)	Provide false or misleading information for the purposes of any document which must in terms of a requirement of the Act be submitted to the council, mayor or accounting officer, the Auditor-General, the National Treasury or be made public.

* Gross negligence is a conscious and voluntary disregard of the need to use reasonable care, which is likely to cause foreseeable grave injury or harm to persons, property, or both. It is conduct that is extreme when compared with ordinary negligence, which is a mere failure to exercise reasonable care.

17. Civil liability of municipality, political structures, office bearers and officials

The Act exempts municipalities, their political structures, office-bearers or officials from civil liability for any loss or damage resulting from the exercise of any power or the performance of any function in terms of the Act, provided same was done in good faith. Without limiting liability in terms of the common law or other legislation, a municipality may recover from its political office bearers and officials, any loss or damage suffered by it because of their deliberate or negligent unlawful actions when performing a function of office.

18. Process to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure

18.1 Unauthorised expenditure

In considering authorisation of unauthorised expenditure, council must consider the following factors:

- a) Has the matter been referred to Council for a determination and decision?
- b) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- c) Has the incident been referred to a council committee for investigation and recommendations?
- d) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- e) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?
- f) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:
 - i. the mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure;
 - ii. the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
 - iii. the municipality has not suffered any material loss as a result of the action.

In these instances, the council may authorise the unauthorised expenditure. If unauthorised expenditure is approved by council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

18.2 Adjustments budgets to authorise unauthorised expenditure

Section 15 of the MFMA provides that a municipality may incur expenditure only in terms of an approved budget. This is confirmed by section 32(2)(a)(i) of the MFMA that provides that council may only authorise unauthorised expenditure in an adjustments budget.

Sections 28(c) and 28(g) of the MFMA, read together with regulations 23(1), 23(2), 23(4) and 23(6) of the MBRR, discusses when council may authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

- a) Adjustments budget for unforeseen and unavoidable expenditure: An adjustments budget to allow council to provide ex post authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in council at the “first available opportunity” or within the 60 days after the expenditure was incurred (see section 29(3) of the MFMA). Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure, and may still be authorised in one of the other adjustments budgets process described below.
- b) Main adjustments budget: In terms of regulation 23(6)(a) of the MBRR, council may authorise unauthorised expenditure in the adjustments budget which may be tabled in council “at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year”. Therefore unauthorised expenditure that occurred in the first half of the current financial year may be authorised by council in this adjustments budget. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.
- c) Special adjustments budget to authorise unauthorised expenditure: In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustments budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.” This special adjustments budget therefore deals with:
 - i. unauthorised expenditure that occurred in the first half of the previous financial year that was not included in the main adjustments budget or that was included but referred back for further investigation or further information;
 - ii. unauthorised expenditure that occurred in the second half of the previous financial year, and
 - iii. any unauthorised expenditure identified by the Auditor-General during the annual audit process.

The timing of this special adjustments budget requires:

- i. the municipality to report all the unauthorised expenditure in its annual financial statements (thus ensuring transparency regarding its performance with implementing the budget);
- ii. the Auditor-General to audit the municipality's disclosure of its unauthorised expenditure and to add any further unauthorised expenditure identified in the audit process; and
- iii. sufficient time (but also places a time limit) for instances of unauthorised expenditure to be properly investigated before being presented to council for a decision on whether or not to authorise it; the investigation is normally done by a council committee.

18.3 Recovery of unauthorised expenditure

All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been authorised by council in an adjustments budget.

Once it has been established who is liable for the unauthorised expenditure, the accounting officer must, in writing, request that the liable official or political office-bearer pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be handed to the municipality's legal division for the recovery of the debt through the normal debt collection process.

18.4 Irregular expenditure

In terms of section 32(2)(b) irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

With reference to (a) as defined, - in terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council and is elaborated on page 10.

With reference to (b) as defined – there is no provision in the MSA that allows for a contravention of the Act to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the accounting officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.

With reference to (d) as defined – a council may condone a contravention of the council approved SCM policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case (a) applies and then only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to mfma@treasury.gov.za for consideration.

Once the Accounting Officer or Council becomes aware of any allegation of irregular expenditure, such allegation may be referred to the municipality's own Internal Audit Unit or any other appropriate investigative body for investigation, to determine whether or not grounds exist for a charge of financial misconduct to be laid against the official liable for the expenditure.

18.5 Ratification of minor breaches of the procurement process

In terms of regulation 36(1)(b) of the Municipal Supply Chain Management Regulations, the supply chain policy of a municipality may allow the accounting officer to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature. Where a municipality's supply chain management policy does not include this provision the accounting officer cannot exercise this ratification power. It is important to note that the accounting officer can only rely on this provision if the official or committee who committed the breach had the delegated authority to perform the function in terms of the municipality's adopted System of Delegations, which must be consistent with the MFMA and its regulations. The process to deal with minor breaches of the SCM policy is contained in a flowchart, refer to (Annexure B).

Note that the accounting officer may only ratify a breach of process, and not the irregular expenditure itself, which means that the 'irregular' expenditure will still remain irregular. The responsibility to ratify the actual irregular expenditure vests with the Council and processes to deal with such matters are outlined in section 32(2) of the MFMA read together with Regulation 74 of the MBRR.

Regulation 36(2) of the SCM regulations states that the accounting officer must record the reasons for any deviations and report to the next Council meeting, and disclose this expenditure in a note to the annual financial statements. The emphasis is on recording the "reasons for any deviations and the associated expenditure".

All breaches of a municipality's SCM policy will result in irregular expenditure, in the event that expenditure is incurred; the monetary value of this irregular expenditure is not relevant. The issue of whether the breach is minor or material relates to the nature of the breach and the intent of those responsible for the breach; not to the monetary value thereof.

In terms of regulation 36 of the SCM Regulations, the accounting officer is responsible for deciding whether a particular breach of procurement processes is minor or material. In exercising this discretion the accounting officer must be guided by:

- a) the specific nature of the breach: is it simply technical in nature, not impacting in any significant way on the essential fairness, equity, transparency, competitiveness or cost effectiveness of the procurement process?
- b) the circumstance surrounding the breach: are the circumstances justifiable or, at least, excusable?
- c) the intent of those responsible for the breach: were they acting in good faith?
- d) the financial implication as a result of the breach: what was the extent of the loss or benefit?

The accounting officer would have to consider the merits of each breach of the procurement processes and take a decision as to whether it should be classified as a minor or material breach.

Note that this category only covers breaches of procurement processes in the municipality's SCM policy and not breaches of other legislation or regulations.

It is important to emphasise that, in terms of the regulation 36 of the SCM Regulations, only the accounting officer can consider the ratification of minor breaches of procurement processes that are purely of a technical nature.

It is advisable that the accounting officer implement appropriate processes in the municipality's SCM policy to investigate the nature of the breach so that an informed decision on corrective action can be made. In the event that a breach falls outside the classification of a minor breach, the accounting officer cannot follow the remedy contained in regulation 36 (1) (b).

The MFMA and the SCM regulations do not specify what these processes should be, however, it is recommended that Council investigate the nature of the breach through its Internal Audit Unit or any other investigation body and adopt corrective action as recommended by the Audit Committee.

The SCM regulation 36(2) specifies a separate process for reporting the ratification of minor breaches to council, after they have been ratified by the accounting officer. The findings of any investigation must be reported to the accounting officer for consideration when making a decision in this regard. It is important to maintain documentary evidence for audit purposes

18.6 Disciplinary charges for irregular expenditure

If, after having followed a proper investigation, the council concludes that the political office-bearer or official responsible for making, permitting or authorising irregular expenditure did not act in good faith, then the municipality must consider instituting disciplinary action and/or criminal charges against the liable person/s.

If the irregular expenditure falls within the ambit of the above description, then the council, mayor or accounting officer (as may be relevant) must institute disciplinary action as follows:

- a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
 - i. contravened a provision of the MFMA which resulted in irregular expenditure; or
 - ii. made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
- b) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and
- c) Breach of the Code of Conduct for Councillors: in the case of a political office-bearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in irregular expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.

18.7 Criminal charges arising from an act of irregular expenditure

If, after following a proper investigation, the council concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of irregular expenditure acted deliberately or negligently, then the Council must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.

The irregular expenditure was the result of a breach of the definition of irregular expenditure it must be considered in terms of section 173 of the MFMA.

18.8 Recovery of irregular expenditure

All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the municipal council, after investigation by a council committee, as irrecoverable and is written off by the council. In other words, the expenditure that is written off is therefore condoned.

Irregular expenditures resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.

Once it has been established who is liable for the irregular expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality.

18.9 Fruitless and wasteful expenditure

The processes to respond appropriately to fruitless and wasteful expenditure are similar to the following three processes outlined for irregular expenditure:

- a) disciplinary charges against officials and political office bearers;
- b) criminal charges against officials and political office-bearers; and
- c) recovery of the fruitless and wasteful expenditure from the liable persons.

The description of the categories of irregular expenditure in the above three instances can be applied directly to fruitless and wasteful expenditure. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.

Council should follow section 32(2)(b) of the MFMA when dealing with instances of fruitless and wasteful expenditure.

18.10 Register of unauthorised, irregular, fruitless and wasteful expenditure

All instances of unauthorised, irregular, fruitless and wasteful expenditures must be reported to the mayor, the MEC for local government in the province, the Auditor-General, disclosed in the annual report, and to council as required by section 32(4) and 74 of the MFMA. This disclosure will assist in addressing challenges relating to expenditure control and transparent reporting in order to strengthen accountability.

The introduction of a 'register' to capture unauthorised, irregular, fruitless and wasteful expenditure will ensure that financial management in municipalities is improved, resulting in better audit outcomes.

All municipalities need to do all they can to prevent prohibited expenditures. The accounting officer also needs to make sure that the municipality has proper processes in place to record and manage prohibited expenditures, should they occur. Therefore, as part of complying with section 62(1)(d) of the MFMA, the accounting officer (who may delegate the task to the chief financial officer) must set-up and maintain a Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures.

Annexure A sets out the minimum information that should appear in such a Register. Municipalities are free to add more detail should they deem this necessary. The aim of the Register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework.

Municipalities are required to implement a register of unauthorised, irregular, fruitless and wasteful expenditure from 1 July 2013, for all transactions falling within this category and ensure it is updated on a continuous basis. This information will allow management to address such matters more thoroughly and within appropriate timeframes.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	.././2018	dd	.. May 2018

ANNEXURE A

Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

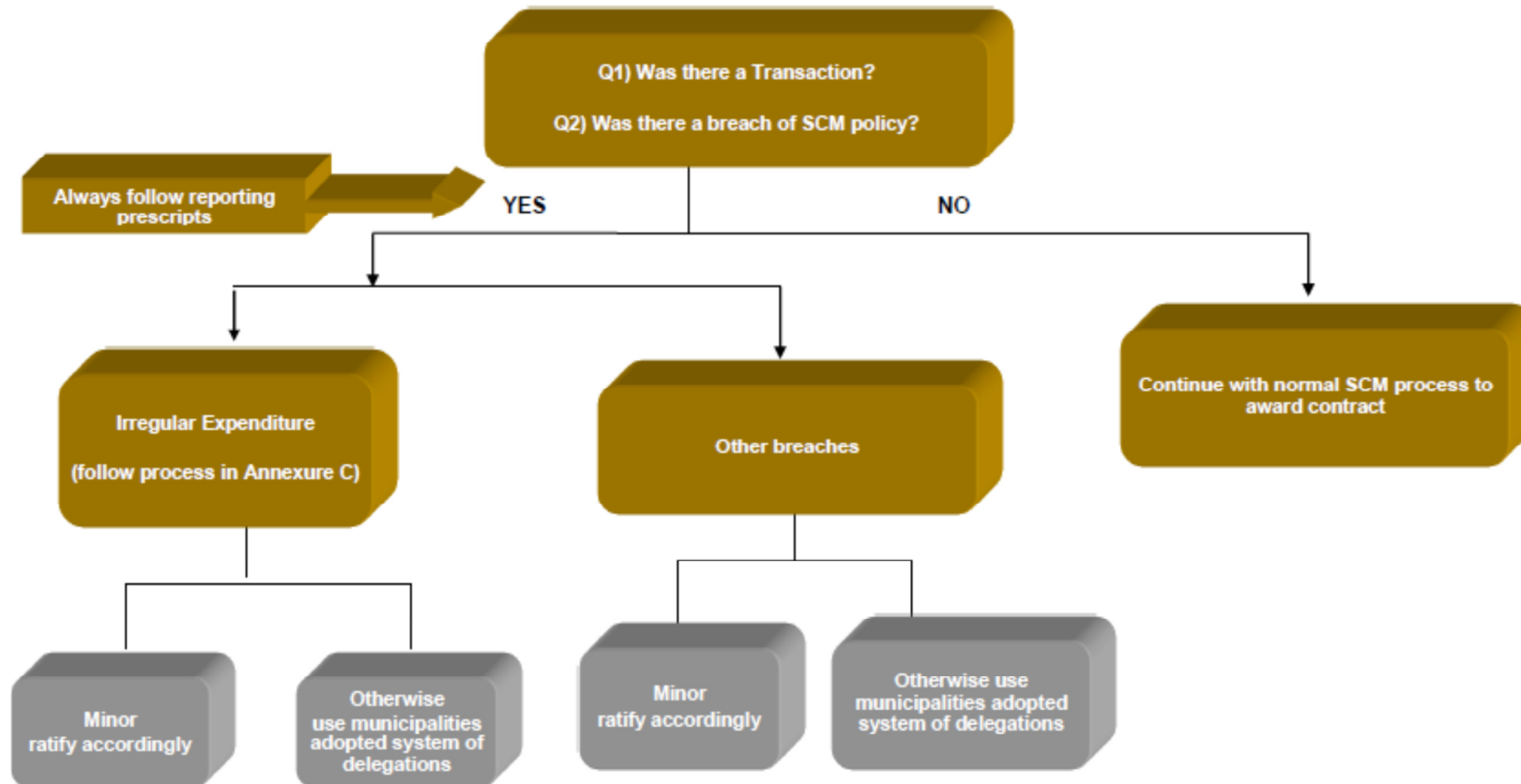
<i>Umsobomvu Municipality</i>															
No	Date of discovery	Date Reported to Accounting Officer	Transaction details				Person Liable (Official or Political Office Bearer)	Type of Prohibited Expenditure	Status						
			Date of Payment	Payment Number	Amount	Description of Incident			UI	DP	CC	TR	P	WO	General comments

Abbreviations:

- UI: Irregular expenditure Under Investigation
- DP: Disciplinary process initiated against responsible person
- CC: Criminal charges laid with SAPS
- TR: Transferred to receivables for recovery
- P: Paid or in process of paying in instalments
- WO: Written-off by council as irrecoverable

SCM REGULATION 36 (1)(B)

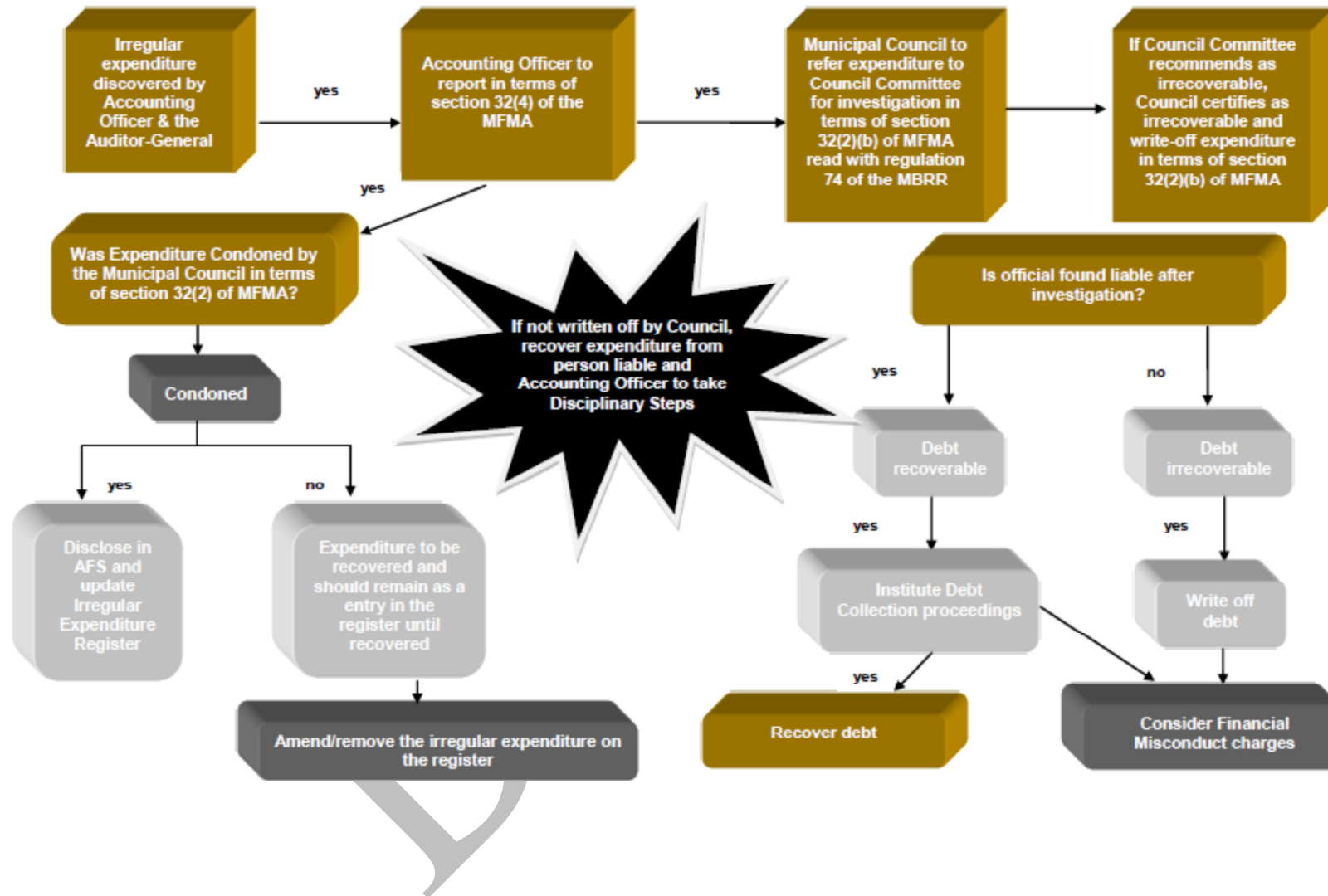
ANNEXURE B



IRREGULAR EXPENDITURE

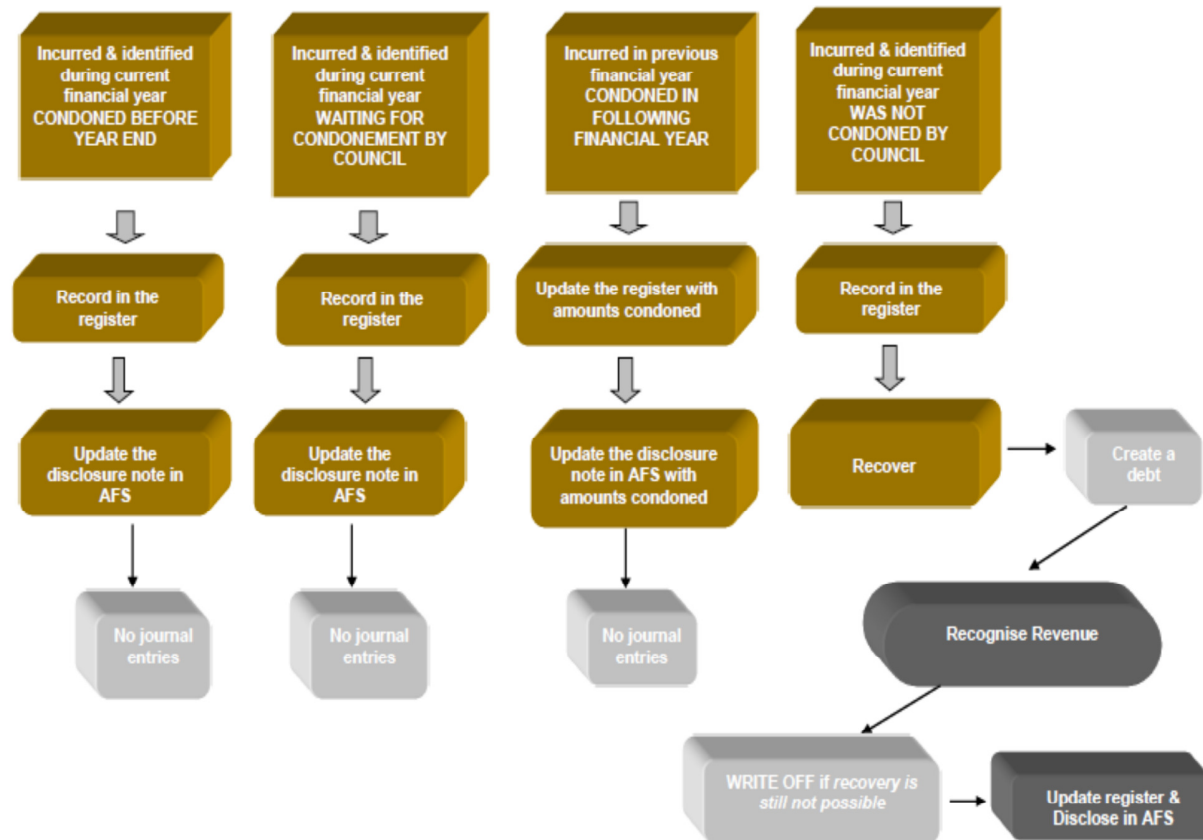
STEP BY STEP PROCESS

ANNEXURE C



IRREGULAR EXPENDITURE - ACCOUNTING FRAMEWORK

ANNEXURE D





UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

Table of Contents

1. Introduction	3
2. Restriction on the incurring of expenditure	3
3. Withdrawal of money from a municipal bank account	4
4. Defining concepts	5
5. Recovery of unauthorised, irregular, fruitless and wasteful expenditure	10
6. Role of council committee	10
7. Writing off of unauthorised, irregular, fruitless and wasteful expenditure is no excuse in criminal and disciplinary proceedings	11
8. Liability of political office bearers for unauthorised expenditure	11
9. Liability for unauthorised expenditure deliberately or negligently incurred	11
10. Reporting of unauthorised, irregular or fruitless and wasteful expenditure	12
11. Reporting of irregular expenditure, theft and fraud	12
12. Remuneration of councillors and irregular expenditure	13
13. Irregular staff appointments	14
14. Enforcing proper financial management through disciplinary and criminal proceedings	14
15. Offences by councillors	18
16. Criminal sanctions - councillors, senior managers and other officials	19
17. Civil liability of municipality, structures, office bearers and officials	20
18. Process to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure	20
Annexure A Register for unauthorised, irregular, fruitless and wasteful expenditure	28
Annexure B SCM Regulation 36 (1) (b)	29
Annexure C Irregular expenditure – Step by Step process	30
Annexure D Irregular expenditure – Accounting framework	31

1. Introduction

Municipalities are organs of state within the local sphere of government that collect monies from the public in the form of rates, taxes, levies, surcharges, duties and service charges, receive grants from national and provincial government and borrow for capital expenditure or bridging finance for short term purposes. These resources are appropriated by Council for the purpose of fulfilling its powers and functions, primarily to deliver services, in accordance with their mandate as set out in sections 151,153 and 156 of the Constitution.

In terms of section 4(2) (a) of the Municipal Systems Act (MSA) the council has a duty to use the resources of the municipality in the best interest of the local community. This duty is extended to individual councillors through the Code of Conduct for Councillors which states that a councillor must:

- i. “perform the functions of office in good faith, honestly and in a transparent manner, and
- ii. at all times act in the best interests of the community and in such a way that the credibility and integrity of the municipality are not compromised.”

In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “the Act”), the accounting officer is responsible for managing the financial affairs of the municipality and he/she must, for this purpose, inter alia:

- (a) take all reasonable steps to ensure that:
 - unauthorised; and
 - irregular; and
 - fruitless and wasteful expenditure; and
 - other losses are prevented; and
- (b) ensure 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 of the Act.

This policy is aimed at providing the accounting officer with an overview of legislation pertaining to unauthorised, irregular, fruitless and wasteful expenditure and the recovery of same where applicable.

2. Restriction on the incurring of expenditure

Section 15 of the Act provides that a municipality may, except where otherwise provided therein, incur expenditure only -

- a) in terms of a budget approved by the council or by a provincial or the national executive following an intervention in terms of section 139 of the Constitution and also an annual budget as revised by an adjustments budget in terms of section 28 of the Act; and

- b) within the limits of the amounts appropriated for the different votes in an approved budget.

3. Withdrawal of money from a municipal bank

In terms of section 11(3) of the Act, money may be withdrawn from a bank account of the municipality without appropriation (without further budget approval) in terms of an approved budget for the following purposes:

- a) to defray expenditure authorised in terms of section 26 (4) which provides that, until a budget for the municipality is approved, funds for the requirements of the municipality may, with the approval of the MEC for local government, be withdrawn from the municipality's bank accounts subject to certain conditions and restrictions;
- b) to defray unforeseeable and unavoidable expenditure authorized by the mayor in emergency or other exceptional circumstances in terms of section 29 (1) of the Act and the council's applicable policy;
- c) in the case of a bank account opened in terms of section 12 of the Act for relief, charitable and trust purposes, to make payments from such account but only by or on the written authority of the accounting officer acting in accordance with decisions of the council and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated;
- d) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including money collected by the municipality on behalf of that person or organ of state by agreement or any insurance or other payments received by the municipality for that person or organ of state;
- e) to refund money incorrectly paid into a bank account;
- f) to refund guarantees, sureties and security deposits;
- g) for cash management and investment purposes in accordance with the cash and investment policies of the municipality;
- h) to defray increased expenditure in terms of section 31 of the Act which relates to the shifting of funds between multi-year appropriations;
- i) for such other purposes prescribed under the Act.

4. Defining concepts

“Unauthorised expenditure” is incurred by the municipality otherwise than in accordance with section 15 or 11 (3), 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 of money made to the municipality by the national government from revenue raised nationally contrary to the condition(s) of such allocation or an allocation of money to a municipality in terms of a provincial budget;
- f) a grant by the municipality otherwise than in accordance with the Act.

Essentially, “unauthorised expenditure” includes overspending on the total amount of the budget, overspending on a vote, the incurring of expenditure unrelated to a vote and the incurring of expenditure for a purpose other than the approved purpose.

It should be noted that “unauthorised expenditure” excludes “irregular” expenditure. Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

With reference to MFMA section 1(b) – a municipality’s operational and capital budgets are divided into ‘votes’ which represent those components of the budget that have amounts appropriated for the financial year, for different departments or functional areas. The Municipal Budget and Reporting Regulations (MBRR) prescribe the structure and formats of municipal budgets, including votes, in Tables A1 to A10. Votes are informed by Table A3 (Budgeted Financial Performance: revenues and expenditure by municipal vote) and Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding). Budget Table A4 (Budgeted Financial Performance: revenue and expenditure) by implication is approved by the council and as such must also be taken into consideration when determining unauthorised expenditure. In other words, when considering unauthorised expenditure from an operating budget both Table A3 and A4 (read in conjunction with the supporting table SA1) of the MBRR would have to be considered. Overspending must also be determined in relation to each of the votes on both the operational budget and the capital budget. Where Council has approved a virement policy that allows the accounting officer to make limited shifts of funds between votes, must also be taken into account.

With reference to MFMA section 1(c) – funds appropriated in a vote for a department may not be used for purposes unrelated to the functions of that department. In other words, an accounting officer or other official may not use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget. Where a Council has approved a virement policy, shifts made in accordance with that policy may be allowed, and must be taken into account when reviewing such expenditure.

With reference to MFMA section 1(d) – in addition to appropriating funds for a department’s vote, the Council may also appropriate funds for a specific purpose within a department’s vote, for

example, for specific training initiatives or a capital project. Funds that have been designated for a specific purpose or project may not be used for any other purpose.

With reference to MFMA section 1(e) – the items referred to in the definition of ‘allocation’ are national and provincial conditional grants to a municipality and other ‘conditional’ allocations to the municipality from another municipality or another organ of state. Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure.

With reference to MFMA section 1(f) – section 67 of the MFMA regulates the transfer of municipal funds to organizations and bodies outside government. In terms of this section, a municipality may only provide grants to organizations and NOT individuals. Therefore any grant to an individual is unauthorised expenditure, unless it is in terms of the municipality’s indigent policy or bursary scheme.

Therefore, valid expenditure decisions can only be made by council in terms of a budget or an adjustments budget. It follows that only the council may authorise instances of unauthorised expenditure and council must do so through an adjustment budget. This principle is further reiterated in section 32(2)(a)(i) of the MFMA read with regulation 25 of the MBRR which states that unauthorised expenditure must be authorised by the municipality in an adjustments budget that is approved by the municipal council. This is the rationale for the provisions in regulation 23(6) of the MBRR which provides the legal framework for the authorisation of unauthorised expenditure.

“Expenditures that are NOT classified as unauthorised expenditure”

Given the definition of unauthorised expenditure, the following are examples of expenditures that are NOT unauthorised expenditure:

- a) Any over-collection on the revenue side of the budget as this is not an expenditure; and
- b) Any expenditure incurred in respect of:
 - (i) any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
 - (ii) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - (iii) overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a ‘vote’ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and
 - (iv) overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a ‘vote’ on the main budget Table A5.

“Unauthorised expenditure on non-cash items”

Such expenditure relates to debt impairment, depreciation, asset impairment, transfers and grants as appropriated in Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) of the MBRR.

Although these expenditures are considered non-cash items as there is no transaction with any service provider or supplier, an under provision during the budget compilation process is a material misstatement of the surplus or deficit position of the municipality. This could be the result of poor budgeting or financial management, or unknown events that gave rise to the asset and debt impairment after the adoption of the budget. In this regard Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) must be read in conjunction with supporting Table SA1 of the MBRR.

“Unforeseen and unavoidable expenditure”

Unforeseen and unavoidable expenditure is discussed in section 29 of the MFMA and reads as follows:

- a) The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.
- b) Any such expenditure—
 - i. must be in accordance with any framework that may be prescribed;
 - ii. may not exceed a prescribed percentage of the approved annual budget;
 - iii. must be reported by the mayor to the municipal council at its next meeting; and
 - iv. must be appropriated in an adjustments budget.
- c) If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies.

The framework referred to in section 29(2)(a) of the MFMA is prescribed in chapter 5 of the MBRR, and contained in regulation 71 and 72. The following shall apply:

- i. the amount the mayor authorised as unforeseen and unavoidable expenditure exceeds the monetary limits set in regulation 72 of the MBRR, the amount in excess of the limit is unauthorised;
- ii. the reason for the mayor authorising the unforeseen and unavoidable expenditure does not fall within the ambit of regulation 71(1) of the MBRR, the expenditure is unauthorised;
- iii. the reason for the mayor not authorising the unforeseen and unavoidable expenditure falls outside the ambit of regulation 71(2) of the MBRR, the expenditure is unauthorised; and

- iv. the council does not appropriate the expenditure in an adjustments budget that is passed within 60 days after the expenditure was incurred, the expenditure is unauthorised.

“Irregular expenditure” occurs in the following circumstances:

- a) Where the expenditure concerned is incurred by the municipality or a municipal entity in contravention of, or that is not in accordance with, a requirement of the Act, and which has not been condoned in terms of section 170 thereof. In terms of section 170 of the Act, National Treasury may, on good grounds, approve a departure from a treasury regulation or from any condition imposed in terms of the Act. Non-compliance with a regulation made in terms of section 168 or with a condition imposed by the National Treasury in terms of the Act may, on good grounds shown, also be condoned by the National Treasury.
- b) Expenditure incurred by the municipality or a 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 the 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 the 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 “unauthorised expenditure”.

The accounting officer may, in terms of section 36(1)(b) of the Municipal Supply Chain Management Regulations, ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature. The accounting officer must record the reasons for any deviations and report them to the next meeting of the council or board of directors in the case of a municipal entity, and include same as a note to the annual financial statements.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

A “vote” means 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 which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

“Overspending” occurs in the following circumstances:

- a) where the operational or capital expenditure incurred by the municipality during a financial year exceeds the total amount appropriated in that year's budget for operational or capital expenditure, as the case may be;
- b) in relation to a vote, in the event of expenditure exceeding the amount appropriated for that vote; or
- c) where expenditure pending the approval of the budget of the municipality exceeds the amount permissible in terms of section 26(5) of the Act. In terms of this sub-section, funds withdrawn from a municipality's bank accounts in terms of sub-section (4) may be used only to defray current and capital expenditure in connection with votes for which funds were appropriated in the approved budget for the previous financial year and any withdrawal may not, during any month, exceed eight per cent of the total amount appropriated in that approved budget for current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year and exceed the amount actually available.

"Fruitless and wasteful expenditure"

The Act defines "fruitless and wasteful expenditure" as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

5. Recovery of unauthorised, irregular, fruitless and wasteful expenditure

Section 32 (2) of the Act provides that the municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless that expenditure is:

- a) in the case of unauthorised expenditure, authorised in an adjustments budget or certified by the council, after investigation by a council committee, as irrecoverable and written off by the council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

6. Role of council's Municipal Public Accounts Committee(MPAC)

In terms of section 74 the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April, 2009, a council committee appointed to investigate the recoverability or otherwise of any unauthorised, irregular or fruitless and wasteful expenditure must consider –

- a) the measures already taken to recover such expenditure;

- b) the cost of the measures already taken to recover such expenditure;
- c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
- d) submit a motivation explaining its recommendation to the council for a final decision.

The municipal manager must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.

The aforesaid committee may only comprise councillors and should not include political office bearers of the municipality. At least 3 councillors are required to constitute a committee.

It should be noted that the council is required by resolution to certify that the expenditure concerned is considered irrecoverable and that it should be written off. This power may not be delegated by the council.

An audit committee established in terms of section 166 of the Act is not precluded from assisting the appointed committee with its deliberations.

7. Writing off of unauthorised, irregular, fruitless and wasteful expenditure is no excuse in criminal and disciplinary proceedings

In terms of section 32 (5) of the Act, the writing off of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of the Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

8. Liability of political office bearers for unauthorised expenditure

Without limiting liability in terms of the common law or other legislation, a political office-bearer of the municipality is, in terms of section 32(1)(a) of the Act, liable for unauthorised expenditure if that office-bearer either knowingly or after having been advised by the accounting officer that the expenditure concerned is likely to result in unauthorised expenditure, instructed an official of the municipality to incur such expenditure.

The Act defines a “political office-bearer” as the speaker, mayor or a member of the executive committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act, 1998.

9. Liability for unauthorised expenditure deliberately or negligently incurred

Section 32 (1) (b) (c) and (d) of the Act provides that, without limiting liability in terms of the common law or other legislation:

- a) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by him or her, subject to section 32 (3). The accounting officer accordingly incurs

liability for unauthorised expenditure deliberately or negligently incurred unless he / she informs the council or the mayor, as the case may be, in writing that a decision which has been taken, if implemented, is likely to result in unauthorised expenditure;

- b) any political office-bearer or official of the municipality who deliberately (intentionally) or negligently (failed to take adequate care) committed, made or authorised an irregular expenditure, is liable for that expenditure; or
- c) any political office-bearer or official of the municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

An “official” of the municipality has a wider meaning than an employee or staff member of the municipality and includes -

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

10. Reporting of unauthorised, irregular or fruitless and wasteful expenditure

Section 32 (4) of the Act requires the accounting officer to promptly inform the mayor, the MEC for local government and the Auditor-General, in writing, of -

- a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- c) the steps that have been taken -
 - i. to recover or rectify such expenditure; and
 - ii. to prevent a recurrence of such expenditure.

11. Reporting of irregular expenditure, theft and fraud

Section 32 (6) of the Act obliges the accounting officer to 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.

The council must, in terms of section 32(7) of the Act and through the mayor, take all reasonable steps to ensure that all cases of irregular expenditure incurred as a result of a criminal offence, theft and fraud are reported to the South African Police Service if -

- a) the charge is against the accounting officer; or

- b) the accounting officer failed to comply with section 32(6) (referred to above) of the Act.

12. Remuneration of councillors and irregular expenditure

Section 167 (1) of the Act provides that a municipality may remunerate its political office-bearers (speaker/mayor) and members of its political structures (councillors), but only -

- a) within the framework of the Remuneration of Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members; and
- b) in accordance with section 219 (4) of the Constitution.

Section 167(2) of the Act provides that any remuneration paid or given in cash or in kind to a person as a political office-bearer or as a member of a political structure of a municipality otherwise than in accordance with sub-section (1), including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure, and the municipality -

- a) must, and has the right to, recover that remuneration from the political office-bearer or member concerned; and
- b) may not write-off any expenditure incurred by the municipality in paying or giving that remuneration. It should be noted that the Government Notice increasing the upper limits of the salary and allowances of councillors normally contains the following preamble:

“The salary and allowances of a member of a municipal council is determined by that municipal council by resolution of a supporting vote of a municipality of its members, in consultation with the member of the Executive Council responsible for local government in the province concerned, having regard to the upper limits as set out hereunder, the financial year of municipal councils, and the affordability of municipal councils to pay within the different levels of remuneration of councillors”.

For purposes of implementing this Government Notice, “in consultation with” means that municipalities will require the concurrence of the member of the Executive Council responsible for local government in the province concerned.”

The above preamble has the effect that irregular expenditure will occur in the event of councillor salaries and allowances being increased prior to the consideration of a report thereon by the council on such adjustment, budgetary provision, affordability and the adoption of the required resolution. Irregular expenditure will also occur in the event of existing salaries and allowances being increased without prior consultation with the MEC for local government in the province.

It should further be noted that the municipality is obliged to recover any irregular expenditure from councillors and that same cannot be written off as irrecoverable.

In the case of the overpayment of salaries and allowances, this recovery may be by way of set-off from subsequent similar payments due to the councillors concerned.

13. Irregular staff appointments

- a) Section 66 (3) of the System Act provides that no person may be employed in a municipality unless the post to which he or she is appointed, is provided for in the staff establishment of the municipality as approved by the council.
- b) If a person is employed contrary to subparagraph (a), the decision to employ such person as well as the ensuing contract of employment between the parties is null and void and of no force or effect.
- c) Any person who takes a decision contemplated in subparagraph (a) knowing that such decision is unlawful, may be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.

14. Enforcing proper financial management through disciplinary, criminal and civil proceedings

The Act seeks to secure compliance with its provisions by creating both acts of misconduct, dealt with in disciplinary proceedings, and offences, which are prosecuted in criminal proceedings.

As pointed out above, section 62 (1)(e) of the Act provides that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and he/she must, for this purpose, inter alia, take all reasonable steps to ensure 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. The accounting officer has discretionary power to institute criminal proceedings against the official concerned. No discretionary power exists with regard to the taking of disciplinary action. The final decision to institute criminal proceedings will, however, lie with state prosecuting authorities.

The taking of disciplinary action against an official who allegedly committed an act of financial misconduct is not a bar against the laying of a criminal charge based on the same facts and a criminal prosecution does not bar the municipality from instituting disciplinary action against such official.

The course of action to be adopted will depend on the seriousness of the alleged act of misconduct, the prevalence of such conduct in the municipality and the provisions of the council's fraud and anti-corruption policies. It is essential for a consistent approach to the taking of disciplinary action and the institution of criminal proceedings to be adopted and implemented.

Disciplinary proceedings

The Act defines specific acts of misconduct for accounting officers, chief financial officers', other senior managers or officials who have delegated powers or duties in the area of financial management.

Section 171(1) of the Act provides that an act of financial misconduct is committed by a municipal manager if he or she deliberately or negligently commits one of the following acts:

- a) contravenes any provision of the Act;
- b) fails to comply with a duty imposed on an accounting officer under the Act;
- c) makes, permits or instructs another municipal official to make an unauthorised, irregular, or fruitless and wasteful expenditure; or
- d) provides incorrect or misleading information in any document that must be supplied in terms of the Act to the mayor, the council, the Auditor-General, any other organ of state (such as the provincial treasury) or the public.

The chief financial officer also commits an act of misconduct when he or she deliberately or negligently fails to carry out any delegated duty, or contravenes or fails to comply with a condition of a delegated power or duty. A chief financial officer may not make, permit or instruct another municipal official to incur unauthorised, irregular, or fruitless and wasteful expenditure, or provide incorrect or misleading information to the accounting officer for incorporation into any written report which must be submitted to the mayor or the council, the Auditor-General, National Treasury, any other organ of state or be made public. Any of these acts constitute acts of misconduct. Similar acts of misconduct are created for senior managers and other officials exercising management responsibilities.

A “senior manager” is a manager referred to in section 56 of the Municipal Systems Act, namely a manager directly accountable to the municipal manager.

Once allegations of financial misconduct have been made against the accounting officer, the chief financial officer, a senior manager or any officials, the municipality (presumably the council as political structure) must cause the matter to be investigated. This duty does not arise where these allegations are frivolous (not serious), vexatious (without ground and aimed at causing annoyance or embarrassment), speculative or obviously unfounded. In the event that allegations are made against an official other than the accounting officer, the latter must oversee the investigation. If the accounting officer is the accused, the mayor bears the responsibility of overseeing the investigation.

If the investigation reveals a *prima facie* case of financial misconduct, the municipality must institute disciplinary proceedings against the responsible officer in accordance with the systems and procedures referred to in section 67 of the Municipal Systems Act, read with Schedule 2 of that Act (the staff code of conduct) (in the case of the accounting officer, by the mayor and, in the case of other staff, by the accounting officer).

Section 67(1) of the Municipal Systems Act provides that a municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration including those relating to disciplinary procedures. These systems and procedures apply to a person referred to in section 57 of this Act (i.e. managers directly accountable to the municipal manager), except to the extent that they are inconsistent with that person’s employment contract.

Disciplinary action against an official on the grounds of financial misconduct will normally be undertaken in terms of the Disciplinary Procedure and Code of the South African Local Government Bargaining Council (the Disciplinary Code). This Code is not entirely suitable for disciplinary action against senior staff of a municipality and particularly the accounting officer. The fact that the municipality (the council) must cause alleged acts of misconduct by the accounting officer and senior managers to be investigated is in conflict with the provisions of the Code. In the absence of any contractual provisions in the employment contracts of these staff members regulating disciplinary matters, the provisions of the Code must, however, be applied.

Section 29 of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 contained in GN R805 of 1 August 2006 reads as follows:

“29. The employer will be entitled to terminate the employee’s employment contract for any sufficient reason recognized by law, provided that the employer must comply with its disciplinary code and procedures, in the absence of which the disciplinary code and procedures of the South African Local Government Bargaining Council will apply, as well as in accordance with the Labour Relations Act, 1995 (Act No. 66 of 1995). “

The Disciplinary Procedure and Code must be read in conjunction with the Code of Conduct for Municipal Staff contained in Schedule 2 to the Municipal Systems Act and it is essential for charges of alleged financial misconduct to accurately describe the alleged transgressions.

The Disciplinary Code contains several acts of misconduct by staff which could constitute financial misconduct and it is possible to institute disciplinary action against an accounting officer and senior manager without reference to the acts of financial misconduct referred to in section 171(1) of the Act.

Criminal proceedings

Certain acts committed by councillors, the chief financial officer, senior managers and other officials are deemed to constitute criminal conduct. The seriousness of these offences is apparent from the fact that any offence in terms of section 173 of the Act carries a prison sentence of up to five years or an appropriate fine determined in terms of applicable legislation.

A wide array of conduct is subject to criminal sanction.

- (1) The accounting officer of a municipality is guilty of an offence if he or she -
 - a) deliberately or in a grossly negligent way -
 - i. contravenes or fails to comply with a provision of section 61 (2) (b), 62 (1), 63 (2) (a) or (c), 64 (2) (a) or (d) or 65 (2) (a), (b), (c), (d), (f) or (i);
 - ii. fails to take reasonable steps to implement the municipality’s supply chain management policy referred to in section 111;
 - iii. fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure; or

- iv. fails to take all reasonable steps to prevent corruptive practices -
 - (aa) in the management of the municipality's assets or receipt of money; or
 - (bb) in the implementation of the municipality's supply chain management policy;
- b) deliberately misleads or withholds information from the Auditor-General on any bank accounts of the municipality or on money received or spent by the municipality; or
- c) deliberately provides false or misleading information in any document which in terms of a requirement of this Act must be -
 - (aa) submitted to the Auditor-General, the National Treasury or any other organ of state; or
 - (bb) made public.

Three elements of the above offences require closer attention. Firstly, the *actus reus* (the voluntary and wrongful act or omission that constitutes the physical components of a crime) can either be an act or an omission. An "act" consists of a direct contravention of a legal provision, while an 'omission' consists of the failure to comply with a positive duty imposed by statute. In proving the *actus reus*, there must be evidence that, for example, a municipality did not have or maintain "a management, accounting and information system that accounts for the assets and liabilities of the municipality". This is an objective assessment. The second element of the offence is the establishment of a causal link between any action or omission by the accounting officer and the objective state of affairs. It must be shown that the officer either acted contrary to a provision or failed to take all reasonable steps required by a provision. Once the *actus reus* elements have been established, the *mens rea* must be proved; the action or omission must either have been deliberate or the result of gross negligence.

Given the high premium placed on the supervisory roles of the Auditor-General, the National Treasury and the province, the deliberate misleading or withholding of information from them, has been criminalised. The accounting officer may not deliberately mislead or withhold information from the Auditor-General on any municipal bank account or on money received or spent. Likewise, the accounting officer may not deliberately provide false or misleading information in any document which must be submitted to the Auditor-General, the National Treasury, or any other organ of state, or made public.

Civil proceedings

Losses or damages suffered by the municipality because of an act committed or omitted by an official constitutes a debt owing to the municipality and must be recovered from such an official if that official is liable in law.

The accounting officer must determine the amount of the loss or damage and, in writing, request that official to pay such amount within 30 days or in reasonable instalments. If the official fails to

comply with the request, the matter must be handed to the municipality's attorneys for the recovery of the loss or damage plus accrued interest through civil process.

15. Offences by councillors

In terms of section 173(4) of the Act, a councillor is guilty of an offence if he or she-

- a) deliberately influences or attempts to influence the accounting officer, the chief financial officer, a senior manager or any other official of the municipality to contravene a provision of the Act or to refrain from complying with a requirement of this Act;
- b) interferes in the financial management responsibilities and functions assigned in terms of the Act to the accounting officer of the municipality or delegated to the chief financial officer of the municipality in terms of the Act;
- c) interferes in the financial management responsibilities and functions assigned in terms of the Act to the accounting officer of a municipal entity under the sole or shared control of the municipality; or
- d) interferes in the management or operational activities of a municipal entity under the sole or shared control of the municipality.

16. Criminal sanctions - councillors, senior managers and other officials

Councillors and officials of the municipality are also subject to criminal sanctions if they:

Section	Offence
79	Deliberately or in a grossly negligent* way contravene or fail to comply with a condition of a delegation of power.
173(5)(a)	Deliberately or in a grossly negligent way impede an accounting officer from complying with a provision of the Act.
173(5)(b)	Deliberately or in a grossly negligent way give incorrect, untrue or misleading information material to an investment decision relating to borrowing by the municipality.
173(5)(b)	Illegally withdraw money from a municipal bank account.
173(5)(d)	Fail to disclose material information when the municipality borrows money.
173(5)(e)	Interfere in the supply chain management system.
173(5)(f)	Provide false or misleading information for the purposes of any document which must in terms of a requirement of the Act be submitted to the council, mayor or accounting officer, the Auditor-General, the National Treasury or be made public.

* Gross negligence is a conscious and voluntary disregard of the need to use reasonable care, which is likely to cause foreseeable grave injury or harm to persons, property, or both. It is conduct that is extreme when compared with ordinary negligence, which is a mere failure to exercise reasonable care.

17. Civil liability of municipality, political structures, office bearers and officials

The Act exempts municipalities, their political structures, office-bearers or officials from civil liability for any loss or damage resulting from the exercise of any power or the performance of any function in terms of the Act, provided same was done in good faith. Without limiting liability in terms of the common law or other legislation, a municipality may recover from its political office bearers and officials, any loss or damage suffered by it because of their deliberate or negligent unlawful actions when performing a function of office.

18. Process to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure

18.1 Unauthorised expenditure

In considering authorisation of unauthorised expenditure, council must consider the following factors:

- a) Has the matter been referred to Council for a determination and decision?
- b) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- c) Has the incident been referred to a council committee for investigation and recommendations?
- d) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- e) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?
- f) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:
 - i. the mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure;
 - ii. the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
 - iii. the municipality has not suffered any material loss as a result of the action.

In these instances, the council may authorise the unauthorised expenditure. If unauthorised expenditure is approved by council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

18.2 Adjustments budgets to authorise unauthorised expenditure

Section 15 of the MFMA provides that a municipality may incur expenditure only in terms of an approved budget. This is confirmed by section 32(2)(a)(i) of the MFMA that provides that council may only authorise unauthorised expenditure in an adjustments budget.

Sections 28(c) and 28(g) of the MFMA, read together with regulations 23(1), 23(2), 23(4) and 23(6) of the MBRR, discusses when council may authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

- a) Adjustments budget for unforeseen and unavoidable expenditure: An adjustments budget to allow council to provide ex post authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in council at the “first available opportunity” or within the 60 days after the expenditure was incurred (see section 29(3) of the MFMA). Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure, and may still be authorised in one of the other adjustments budgets process described below.
- b) Main adjustments budget: In terms of regulation 23(6)(a) of the MBRR, council may authorise unauthorised expenditure in the adjustments budget which may be tabled in council “at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year”. Therefore unauthorised expenditure that occurred in the first half of the current financial year may be authorised by council in this adjustments budget. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.
- c) Special adjustments budget to authorise unauthorised expenditure: In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustments budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.” This special adjustments budget therefore deals with:
 - i. unauthorised expenditure that occurred in the first half of the previous financial year that was not included in the main adjustments budget or that was included but referred back for further investigation or further information;
 - ii. unauthorised expenditure that occurred in the second half of the previous financial year, and
 - iii. any unauthorised expenditure identified by the Auditor-General during the annual audit process.

The timing of this special adjustments budget requires:

- i. the municipality to report all the unauthorised expenditure in its annual financial statements (thus ensuring transparency regarding its performance with implementing the budget);
- ii. the Auditor-General to audit the municipality's disclosure of its unauthorised expenditure and to add any further unauthorised expenditure identified in the audit process; and
- iii. sufficient time (but also places a time limit) for instances of unauthorised expenditure to be properly investigated before being presented to council for a decision on whether or not to authorise it; the investigation is normally done by a council committee.

18.3 Recovery of unauthorised expenditure

All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been authorised by council in an adjustments budget.

Once it has been established who is liable for the unauthorised expenditure, the accounting officer must, in writing, request that the liable official or political office-bearer pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be handed to the municipality's legal division for the recovery of the debt through the normal debt collection process.

18.4 Irregular expenditure

In terms of section 32(2)(b) irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

With reference to (a) as defined, - in terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council and is elaborated on page 10.

With reference to (b) as defined – there is no provision in the MSA that allows for a contravention of the Act to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the accounting officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.

With reference to (d) as defined – a council may condone a contravention of the council approved SCM policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case (a) applies and then only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to mfma@treasury.gov.za for consideration.

Once the Accounting Officer or Council becomes aware of any allegation of irregular expenditure, such allegation may be referred to the municipality's own Internal Audit Unit or any other appropriate investigative body for investigation, to determine whether or not grounds exist for a charge of financial misconduct to be laid against the official liable for the expenditure.

18.5 Ratification of minor breaches of the procurement process

In terms of regulation 36(1)(b) of the Municipal Supply Chain Management Regulations, the supply chain policy of a municipality may allow the accounting officer to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature. Where a municipality's supply chain management policy does not include this provision the accounting officer cannot exercise this ratification power. It is important to note that the accounting officer can only rely on this provision if the official or committee who committed the breach had the delegated authority to perform the function in terms of the municipality's adopted System of Delegations, which must be consistent with the MFMA and its regulations. The process to deal with minor breaches of the SCM policy is contained in a flowchart, refer to (Annexure B).

Note that the accounting officer may only ratify a breach of process, and not the irregular expenditure itself, which means that the 'irregular' expenditure will still remain irregular. The responsibility to ratify the actual irregular expenditure vests with the Council and processes to deal with such matters are outlined in section 32(2) of the MFMA read together with Regulation 74 of the MBRR.

Regulation 36(2) of the SCM regulations states that the accounting officer must record the reasons for any deviations and report to the next Council meeting, and disclose this expenditure in a note to the annual financial statements. The emphasis is on recording the "reasons for any deviations and the associated expenditure".

All breaches of a municipality's SCM policy will result in irregular expenditure, in the event that expenditure is incurred; the monetary value of this irregular expenditure is not relevant. The issue of whether the breach is minor or material relates to the nature of the breach and the intent of those responsible for the breach; not to the monetary value thereof.

In terms of regulation 36 of the SCM Regulations, the accounting officer is responsible for deciding whether a particular breach of procurement processes is minor or material. In exercising this discretion the accounting officer must be guided by:

- a) the specific nature of the breach: is it simply technical in nature, not impacting in any significant way on the essential fairness, equity, transparency, competitiveness or cost effectiveness of the procurement process?
- b) the circumstance surrounding the breach: are the circumstances justifiable or, at least, excusable?
- c) the intent of those responsible for the breach: were they acting in good faith?
- d) the financial implication as a result of the breach: what was the extent of the loss or benefit?

The accounting officer would have to consider the merits of each breach of the procurement processes and take a decision as to whether it should be classified as a minor or material breach.

Note that this category only covers breaches of procurement processes in the municipality's SCM policy and not breaches of other legislation or regulations.

It is important to emphasise that, in terms of the regulation 36 of the SCM Regulations, only the accounting officer can consider the ratification of minor breaches of procurement processes that are purely of a technical nature.

It is advisable that the accounting officer implement appropriate processes in the municipality's SCM policy to investigate the nature of the breach so that an informed decision on corrective action can be made. In the event that a breach falls outside the classification of a minor breach, the accounting officer cannot follow the remedy contained in regulation 36 (1) (b).

The MFMA and the SCM regulations do not specify what these processes should be, however, it is recommended that Council investigate the nature of the breach through its Internal Audit Unit or any other investigation body and adopt corrective action as recommended by the Audit Committee.

The SCM regulation 36(2) specifies a separate process for reporting the ratification of minor breaches to council, after they have been ratified by the accounting officer. The findings of any investigation must be reported to the accounting officer for consideration when making a decision in this regard. It is important to maintain documentary evidence for audit purposes

18.6 Disciplinary charges for irregular expenditure

If, after having followed a proper investigation, the council concludes that the political office-bearer or official responsible for making, permitting or authorising irregular expenditure did not act in good faith, then the municipality must consider instituting disciplinary action and/or criminal charges against the liable person/s.

If the irregular expenditure falls within the ambit of the above description, then the council, mayor or accounting officer (as may be relevant) must institute disciplinary action as follows:

- a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
 - i. contravened a provision of the MFMA which resulted in irregular expenditure; or
 - ii. made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
- b) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and
- c) Breach of the Code of Conduct for Councillors: in the case of a political office-bearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in irregular expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.

18.7 Criminal charges arising from an act of irregular expenditure

If, after following a proper investigation, the council concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of irregular expenditure acted deliberately or negligently, then the Council must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.

The irregular expenditure was the result of a breach of the definition of irregular expenditure it must be considered in terms of section 173 of the MFMA.

18.8 Recovery of irregular expenditure

All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the municipal council, after investigation by a council committee, as irrecoverable and is written off by the council. In other words, the expenditure that is written off is therefore condoned.

Irregular expenditures resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.

Once it has been established who is liable for the irregular expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality.

18.9 Fruitless and wasteful expenditure

The processes to respond appropriately to fruitless and wasteful expenditure are similar to the following three processes outlined for irregular expenditure:

- a) disciplinary charges against officials and political office bearers;
- b) criminal charges against officials and political office-bearers; and
- c) recovery of the fruitless and wasteful expenditure from the liable persons.

The description of the categories of irregular expenditure in the above three instances can be applied directly to fruitless and wasteful expenditure. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.

Council should follow section 32(2)(b) of the MFMA when dealing with instances of fruitless and wasteful expenditure.

18.10 Register of unauthorised, irregular, fruitless and wasteful expenditure

All instances of unauthorised, irregular, fruitless and wasteful expenditures must be reported to the mayor, the MEC for local government in the province, the Auditor-General, disclosed in the annual report, and to council as required by section 32(4) and 74 of the MFMA. This disclosure will assist in addressing challenges relating to expenditure control and transparent reporting in order to strengthen accountability.

The introduction of a 'register' to capture unauthorised, irregular, fruitless and wasteful expenditure will ensure that financial management in municipalities is improved, resulting in better audit outcomes.

All municipalities need to do all they can to prevent prohibited expenditures. The accounting officer also needs to make sure that the municipality has proper processes in place to record and manage prohibited expenditures, should they occur. Therefore, as part of complying with section 62(1)(d) of the MFMA, the accounting officer (who may delegate the task to the chief financial officer) must set-up and maintain a Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures.

Annexure A sets out the minimum information that should appear in such a Register. Municipalities are free to add more detail should they deem this necessary. The aim of the Register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework.

Municipalities are required to implement a register of unauthorised, irregular, fruitless and wasteful expenditure from 1 July 2013, for all transactions falling within this category and ensure it is updated on a continuous basis. This information will allow management to address such matters more thoroughly and within appropriate timeframes.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017
Reviewed per Council Resolution	.././2018	dd	.. May 2018

ANNEXURE A

Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

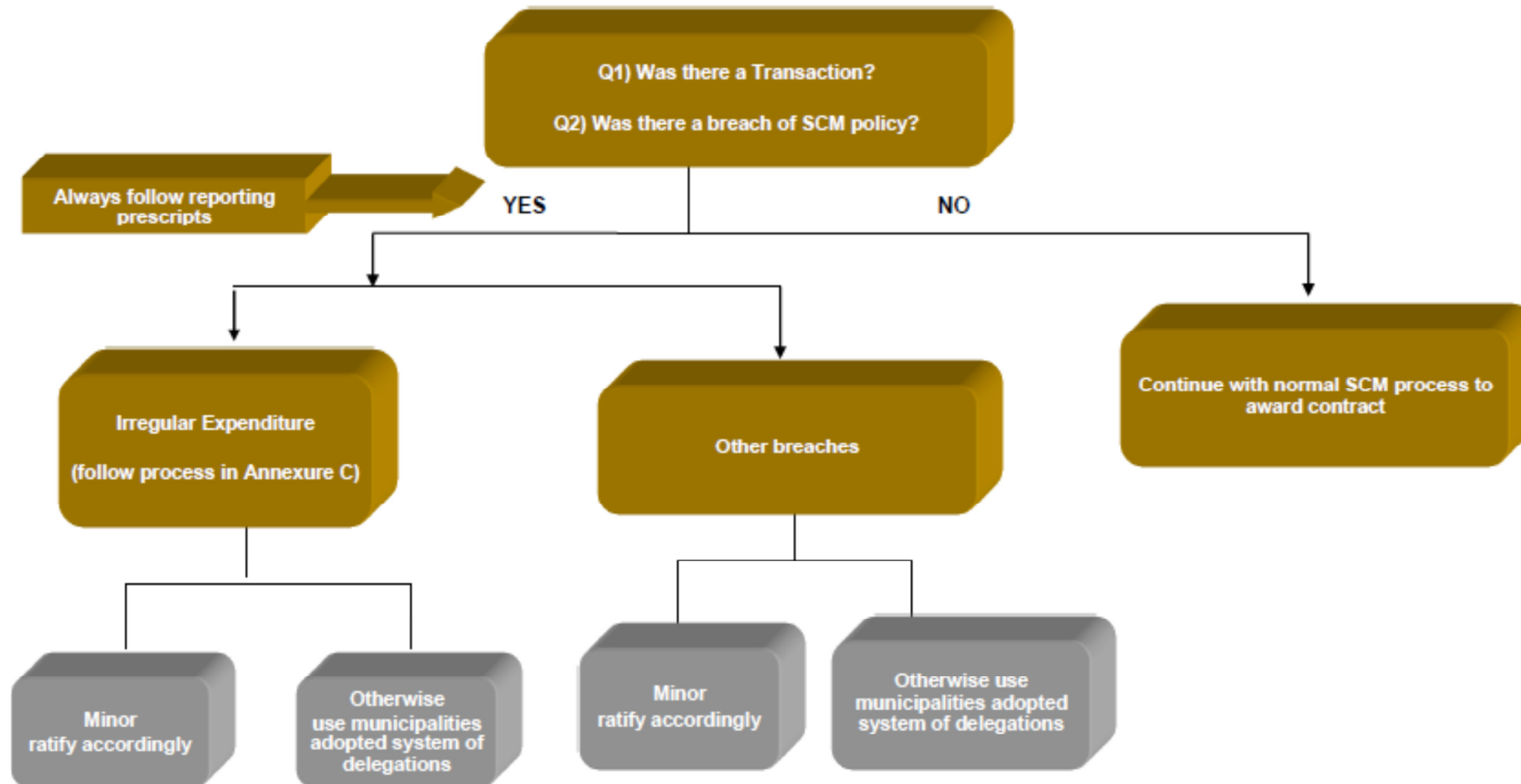
<i>Umsobomvu Municipality</i>															
No	Date of discovery	Date Reported to Accounting Officer	Transaction details				Person Liable (Official or Political Office Bearer)	Type of Prohibited Expenditure	Status						
			Date of Payment	Payment Number	Amount	Description of Incident			UI	DP	CC	TR	P	WO	General comments

Abbreviations:

- UI: Irregular expenditure Under Investigation
- DP: Disciplinary process initiated against responsible person
- CC: Criminal charges laid with SAPS
- TR: Transferred to receivables for recovery
- P: Paid or in process of paying in instalments
- WO: Written-off by council as irrecoverable

SCM REGULATION 36 (1)(B)

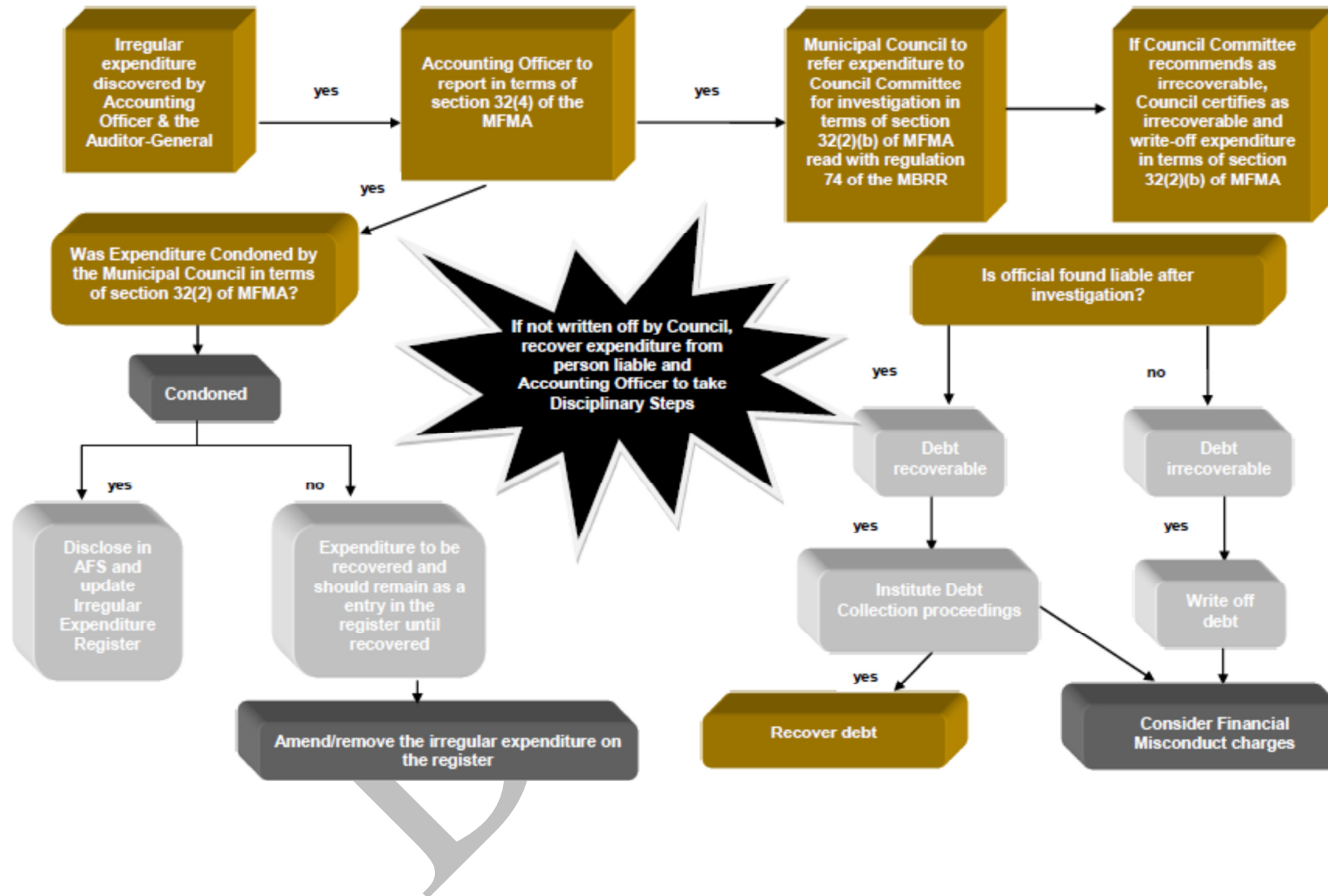
ANNEXURE B



IRREGULAR EXPENDITURE

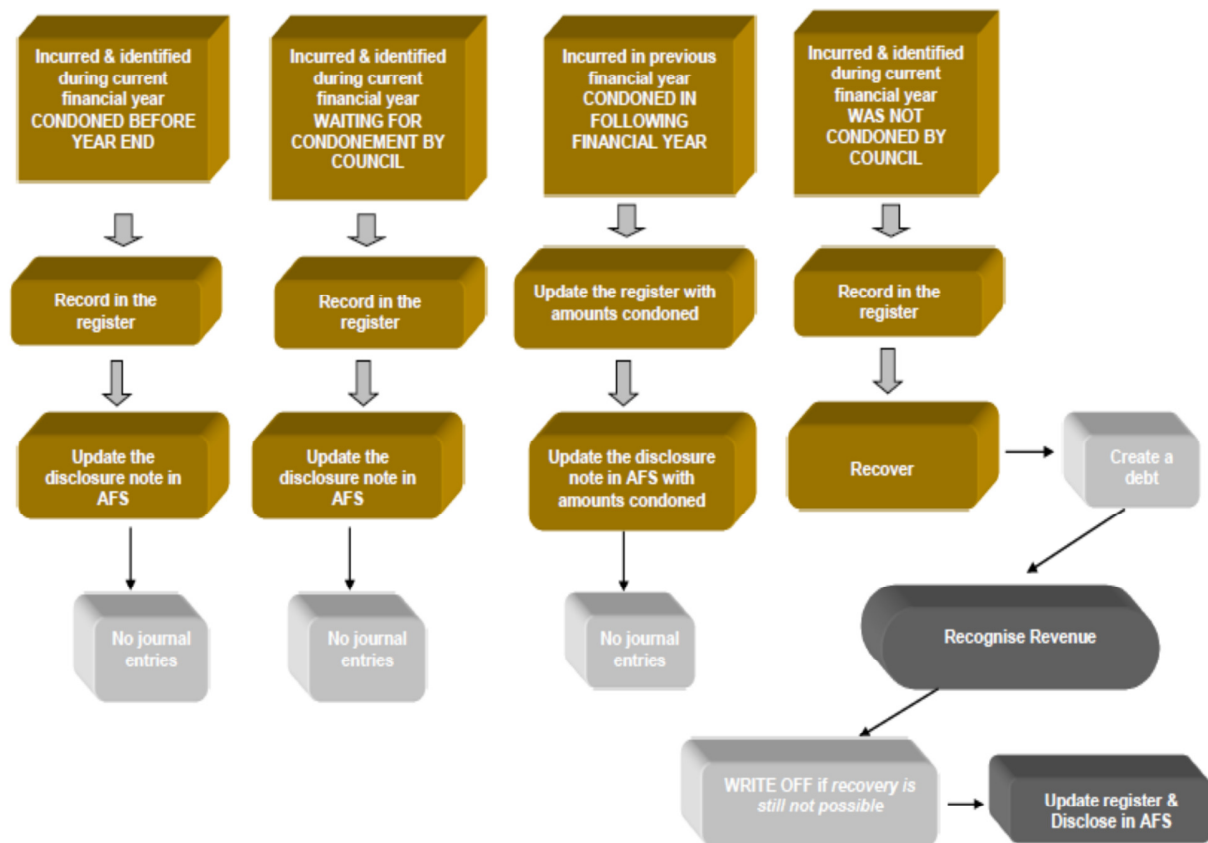
STEP BY STEP PROCESS

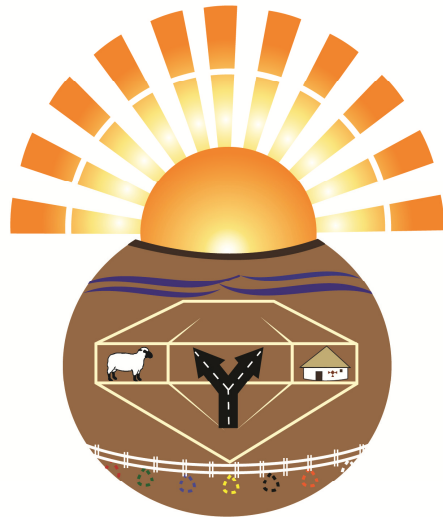
ANNEXURE C



IRREGULAR EXPENDITURE - ACCOUNTING FRAMEWORK

ANNEXURE D





Umsobomvu Municipality
Continuously Rising



VIREMENT POLICY

TABLE OF CONTENTS

1.	DEFINITIONS	2
2.	ABBREVIATIONS.....	3
3.	OBJECTIVE OF THE POLICY.....	3
4.	VIREMENT CLARIFICATION	3
5.	FINANCIAL RESPONSIBILITIES	3
6.	VIREMENT RESTRCITIONS.....	3
7.	VIREMENT PROCEDURE.....	5
	APPENDIX A	6
	APPENDIX B	7

DRAFT

UMSOBOMVU MUNICIPALITY
PRINCIPLES AND POLICY ON BUDGET VIREMENTS

1. DEFINITIONS

1. **“Accounting officer”** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
2. **“Approved budget”** means an annual budget approved by a municipal council.
3. **“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality
4. **“Chief financial officer”** means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.
5. **“Capital Budget”** This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods
6. **“Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.
7. **“Financial year”** means a 12-month year ending on 30 June.
8. **“Line Item”** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures **[See annexure “B” for current item structure]**
9. **“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
10. **“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.
11. **“Service delivery and budget implementation plan”** means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget.
12. **“Virement”** is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.
13. **“Vote”** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. **[See annexure “A” for current Vote structure]**

2. ABBREVIATIONS

CFO – Chief Financial Officer

IDP – Integrated Development Plan

MFMA – Municipal Finance Management Act No. 56 of 2003

SDBIP - Service delivery and budget implementation plan

CM – Council Minute/'s

3. OBJECTIVE OF THE POLICY

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

4. VIREMENT CLARIFICATION

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Manager and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

5. FINANCIAL RESPONSIBILITIES

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

6. VIREMENT RESTRICTIONS

- a. No funds may be viremented between votes (GFS Classifications) without approval of both vote holders and the Director Finance.
- b. Virements may not exceed a maximum of 0.1% of the total approved operating expenditure budget

- c. A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)
- d. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- e. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Council.
 - i. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copier's or fax machines.
- f. No virement may be made where it would result in over expenditure. (section 32 MFMA)
- g. No virement shall add to the establishment of the Municipality without the approval of Municipal Manager.
- h. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- i. Virements may not be made in respect of ring-fenced allocations.
- j. Budget may not be transferred from interdepartmental costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k. Budget may only be transferred from Salaries if approved by the CFO.
- l. Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- m. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- n. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)

- o. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- p. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.
- q. Virements may not be made between Expenditure and Income.

7. VIREMENT PROCEDURE

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- b. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
- c. A virement form must be completed for all Budget Transfers.
- d. Virements in excess of R 50,000 with a maximum as determined under section 6 a. requires the approval of the Chief Financial Officer. (Section 79 MFMA)
- e. Must include changes to the SDBIP.
- f. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- g. The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017

Reviewed per Council Resolution .../.../2018 dd .. May 2018

APPENDIX A

DEPARTMENTS, GFS CLASSIFICATIONS AND VOTE HOLDERS

VOTE	GFS CLASSIFICATION	DEPARTMENT	VOTE HOLDER	SUPPORT VOTE HOLDER
Executive and Council	Executive and Council	Council General	Mayor	Municipal Manager
		Municipal Manager	Municipal Manager	Municipal Manager
Finance	Finance and Admin	Finance	CFO	CFO
Corporate Services	Finance and Admin	Corporate Services	MANAGER;; Corporate Services	Manager;; Corporate Services
		Human Resources	MANAGER;; Corporate Services	Manager: Corporate Services
		Admin and Legal	MANAGER;; Corporate Services	Manager: Corporate Services
Community Development	Community Development	Planning and Development	Manager: Community Development	Manager: Community Development
		LED	MANAGER;; Planning and Development	Manager: Community Development
		IDP	Manager: Community Development	Manager: Community Development
		Land Use	Manager: Community Development	Manager: Community Development
Technical Services	Finance and Admin	Technical Services Admin	MANAGER;; Technical Services	Manager;; Technical Services
Technical Services	Road Transport	Roads and Stormwater	MANAGER;; Technical Services	Manager;; Technical Services
	Waste Management	Solid Waste	MANAGER;; Technical Services	Manager;; Technical Services
	Waste Water Management	Sanitation	MANAGER;; Technical Services	Manager;; Technical Services
	Water	Water	MANAGER;; Technical Services	Manager;; Technical Services
Technical Services	Electricity	Electricity	MANAGER;; Technical Services	Manager;; Technical Services
Community Services	Community and Social Services	Cemetery	Manager: Community Development	Manager Community Services
		Library	Manager: Community Development	Head Librarian
	Public Safety	Traffic	Manager: Community Development	Senior Traffic Officer
		Safety	Manager: Community	Manager: Community

			Development	Development
	Sport and Recreation	Parks and Recreation	Manager: Community Development	Manager: Community Development

APPENDIX B

Item	Description	Comment	Virement From	Virement To
EMPLOYEE RELATED COSTS - WAGES/SALARIES				
	BASIC SALARY	Expenditure	Yes	No
	BONUS - ANNUAL	Expenditure	Yes	No
	BONUS - LONG SERVICE	Expenditure	Yes	No
	ALLOWANCE - ACTING	Expenditure	Yes	No
	ALLOWANCE - CELLPHONE	Expenditure	Yes	No
	ALLOWANCE - HOUSING	Expenditure	Yes	No
	ALLOWANCE - OTHER	Expenditure	Yes	No
	ALLOWANCE - STANDBY	Expenditure	Yes	No
	ALLOWANCE - TRAVELLING	Expenditure	Yes	No
	OVERTIME	Expenditure	Yes	No
EMPLOYEE RELATED COSTS - SOCIAL CONTR				
	BARGAINING COUNCIL LEVY	Expenditure	Yes	No
	GROUP INSURANCE	Expenditure	Yes	No
	INDUSTRIAL COUNCIL LEVY	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	PROVIDENT FUND	Expenditure	Yes	No
	SKILLS DEVELOPMENT LEVY	Expenditure	Yes	No
	UNEMPLOYMENT INSURANCE	Expenditure	Yes	No
	WORKMAN'S COMPENSATION	Expenditure	Yes	No
REMUNERATION OF COUNCILLORS				
	BASIC SALARY	Expenditure	Yes	No
	ALLOWANCE - CELLPHONE	Expenditure	Yes	No
	ALLOWANCES - TRAVELLING	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	SKILLS DEVELOPMENT LEVY	Expenditure	Yes	No
	WORKMEN'S COMPENSATION	Expenditure	Yes	No
	UNEMPLOYMENT INSURANCE	Expenditure	Yes	No
BAD DEBTS				
	BAD DEBTS	Expenditure	Yes	Yes
DEPRECIATION				
	DEPRECIATION	Expenditure	No	No
REPAIRS & MAINTENANCE				
	MAINT.: BUILDINGS	Expenditure	Yes	Yes
	MAINT.: BULK REFUSE BUCKETS	Expenditure	Yes	Yes
	MAINT.: CEMETERIES	Expenditure	Yes	Yes
	MAINT.: COMMUNITY HALLS	Expenditure	Yes	Yes
	MAINT.: COMPUTER HARDWARE	Expenditure	Yes	Yes
	MAINT.: COMPUTER NETWORK	Expenditure	Yes	Yes
	MAINT.: COMPUTER SOFTWARE	Expenditure	Yes	Yes
	MAINT.: DUMPING SITES	Expenditure	Yes	Yes
	MAINT.: ELECTRICAL METERS	Expenditure	Yes	Yes
	MAINT.: ELECTRICAL NETWORK	Expenditure	Yes	Yes
	MAINT.: EMERGENCY EQUIPMENT	Expenditure	Yes	Yes
	MAINT.: FURNITURE & FITTINGS	Expenditure	Yes	Yes
	MAINT.: GROUND & FENCING	Expenditure	Yes	Yes
	MAINT.: LAND FILL	Expenditure	Yes	Yes
	MAINT.: MOTOR VEHICLES REPAIRS	Expenditure	Yes	Yes

MAINT.: MOTOR VEHICLES TYRES	Expenditure	Yes	Yes
MAINT.: OFFICE EQUIPMENT	Expenditure	Yes	Yes
MAINT.: PLANT & MACHINERY	Expenditure	Yes	Yes
MAINT.: PRINTERS	Expenditure	Yes	Yes
MAINT.: RADIO NETWORK	Expenditure	Yes	Yes
MAINT.: RESORT & PARKS	Expenditure	Yes	Yes
MAINT.: ROADS AND STORM WATER	Expenditure	Yes	Yes
MAINT.: SANITATION NETWORK	Expenditure	Yes	Yes
MAINT.: SECUR MEASURES - ACCESS CONTROL	Expenditure	Yes	Yes
MAINT.: SIDEWALKS	Expenditure	Yes	Yes
MAINT.: SPEED CONTROL EQUIPMENT	Expenditure	Yes	Yes
MAINT.: STREET LIGHTS	Expenditure	Yes	Yes
MAINT.: SWIMMING POOLS	Expenditure	Yes	Yes
MAINT.: TRANSFORMERS	Expenditure	Yes	Yes
MAINT.: WARDS	Expenditure	Yes	Yes
MAINT.: WATER NETWORK	Expenditure	Yes	Yes
MAINT.ROADS : MATERIALS	Expenditure	Yes	Yes
MAINT.ROADS : OTHER	Expenditure	Yes	Yes
MAINT.ROADS : TRAFFIC SIGNS	Expenditure	Yes	Yes
MAINT.ROADS : WORKSHOP EQUIPMENT	Expenditure	Yes	Yes
MAINT.: TELEPHONE SYSTEM	Expenditure	Yes	Yes
MAINT.: REFUSE REMOVAL	Expenditure	Yes	Yes
INTEREST EXPENSE - EXTERNAL BORROWINGS			
INTEREST PAID: BANK OVERDRAFT	Expenditure	Yes	Yes
INTEREST PAID: CREDITORS	Expenditure	Yes	Yes
INTEREST PAID: EXTERNAL BORROWING	Expenditure	No	No
BULK PURCHASES			
BULK PURCHASES - ELECTRICITY	Expenditure	Yes	Yes
BULK PURCHASES - WATER	Expenditure	Yes	Yes
CONTRACTED SERVICES			
PROCONSE	Expenditure	Yes	Yes
ITEC	Expenditure	Yes	Yes
GESTETNER	Expenditure	Yes	Yes
SASFIN	Expenditure	Yes	Yes
AUTOPAGE	Expenditure	Yes	Yes
NETCASH	Expenditure	Yes	Yes
VODACOM	Expenditure	Yes	Yes
EPIC	Expenditure	Yes	Yes
CARTRACK	Expenditure	Yes	Yes
SECURITY SERVICES	Expenditure	Yes	Yes
GRANTS & SUBSIDIES PAID - OPERATING			
PEANUT OIL	Expenditure	No	No
FMG - PROJECT 1	Expenditure	No	No
MSIG - PROJECT 1	Expenditure	No	No
PROVINCIAL GRANTS PAID			
GENERAL EXPENSES			
ADMIN CHARGES	Expenditure	Yes	Yes
ADVERTISING: GENERAL NOTICES	Expenditure	Yes	Yes
ADVERTISING: RECRUITMENT	Expenditure	Yes	Yes
AFFILIATION FEES: SALGA MEMBERSHIP	Expenditure	Yes	Yes
AUDIT FEES	Expenditure	Yes	Yes
BANK CHARGES	Expenditure	Yes	Yes
BURSARIES	Expenditure	Yes	Yes
CLEANING MATERIALS	Expenditure	Yes	Yes
COMMISSION PAID	Expenditure	Yes	Yes
COMPUTER SOFTWARE	Expenditure	Yes	Yes
CONTINGENCIES	Expenditure	Yes	Yes
DISASTER MANAGEMENT	Expenditure	Yes	Yes
DUMPING SITES	Expenditure	Yes	Yes
ENTERTAINMENT - COUNCIL	Expenditure	Yes	Yes

INDIGENT SUBSIDIES PAID	Expenditure	Yes	Yes
INSURANCE	Expenditure	Yes	Yes
LIBRARY LOST BOOKS REPLACE	Expenditure	Yes	Yes
LICENSES	Expenditure	Yes	Yes
MEDICAL CHECK UPS	Expenditure	Yes	Yes
OFFICE REQUIREMENTS: INVENTORY	Expenditure	Yes	Yes
PAUPER BURIALS	Expenditure	Yes	Yes
POSTAGE	Expenditure	Yes	Yes
PRINTER CONSUMABLES	Expenditure	Yes	Yes
PRINTING & STATIONERY	Expenditure	Yes	Yes
PROTECTIVE CLOTHING	Expenditure	Yes	Yes
PURIFICATION WORKS - CHEMICALS	Expenditure	Yes	Yes
RADIO LICENSES	Expenditure	Yes	Yes
REFRESHMENTS	Expenditure	Yes	Yes
REFUSE BAGS	Expenditure	Yes	Yes
RENTAL EQUIPMENT	Expenditure	Yes	Yes
RENTAL: BUILDINGS	Expenditure	Yes	Yes
RENTAL: TRANSPORT	Expenditure	Yes	Yes
REZONING	Expenditure	Yes	Yes
SECURITY SERVICES	Expenditure	Yes	Yes
SMALL TOOLS	Expenditure	Yes	Yes
SPORTS DEVELOPMENT	Expenditure	Yes	Yes
SUBSCRIPTIONS	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING COUNCILLORS	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING OFFICIALS	Expenditure	Yes	Yes
TELECOMMUNICATIONS: CELLPHONES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: DATA LINES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: TELEPHONE	Expenditure	Yes	Yes
TENDER FEES	Expenditure	Yes	Yes
TEST CONSUMABLES	Expenditure	Yes	Yes
TOOLS	Expenditure	Yes	Yes
TRAINING	Expenditure	Yes	Yes
TRAINING MATERIAL	Expenditure	Yes	Yes
TRAVEL EXP: ACCOMMODATION	Expenditure	Yes	Yes
TRAVEL EXP: ACCOMMODATION COUNCILLORS	Expenditure	Yes	Yes
TRAVEL EXP: TRANSPORTATION	Expenditure	Yes	Yes
TRAVEL EXP: TRANSPORTATION COUNCILLORS	Expenditure	Yes	Yes
VALUATION COSTS	Expenditure	Yes	Yes
TOWN PLANNING	Expenditure	Yes	Yes
RENTAL: PARKING	Expenditure	Yes	Yes
LOSS ON DISPOSAL OF PROP PLANT & EQUIP			
LOSS ON SALE OF ASSETS (GAMAP)	Expenditure	Yes	Yes
CONTRIBUTIONS TO PROVISIONS			
BAD DEBTS	Expenditure	No	No
CONTR TO CAPITAL REPLACEMT RES	Expenditure	No	No
LEAVE	Expenditure	No	No
INDIRECT OPERATING EXPENDITURE			
DEPARTMENTAL CHARGES	Expenditure	No	No