

UTHUKELA DISTRICT MUNICIPALITY



EXPENDITURE - STANDARD OPERATION PROCEDURE MANUAL 2024/2025

EXPENDITURE PROCEDURE MANUAL

OBJECTIVE

The accounting officer of a municipality must take all reasonable steps, in terms of section 65(2) of the Municipal Finance Management Act (Act 56 of 2003), to ensure that:

- a) The municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds
- b) The municipality has and maintains a management, accounting and information system which —
 - (i) recognises expenditure when it is incurred
 - (ii) accounts for creditors of the municipality; and
 - (iii) accounts for payments made by the municipality
- C) That all monies owing by the municipality be paid within 30 days of receiving the relevant invoice, unless prescribed otherwise for the certain categories of expenditure. In terms of section 65 (e) of MFMA act No 56 of 2003.

RECORDING OF INVOICES – ORDER PAYMENTS

All invoices must be submitted to the registry office, and it then get stamped for the date it was received and be registered on the register.

The invoices will then be submitted to the Office of the CFO. The CFO's PA will then stamp for the date there were received, the invoices will also be registered on the register in the CFO office.

The invoices will then be submitted to the is designated office under SCM which deals with receiving invoices.

1. The SCM clerk will then check the invoice for completeness and compliance with SARS regulations by verifying with the authorised order.

- The Name of Supplier;
- Amount on invoice;
- Order Number;
- VAT Number for both supplier and the Municipality;
- VAT Amount;
- Item Ordered; and
- Quantity ordered
- The description of goods and services rendered
- The name 'Tax invoice or Invoice' if it appears on the supplier's invoice.
- Payment approval memorandum to be attached
- A system payment history report must be attached for all construction projects.
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2. Request any shortcomings from supplier and request supplier to correct invoice if needed.
3. The invoice will then be attached to the order, requisition and all other supporting documentation (if it is an order payment) and be distributed

accordingly, to be authorised for payment and be confirmed by the end - user department that goods and services were received or rendered.

4. The end-user department must submit all projects' payments to Contracts and Assets units for verification before there are sent back to SCM clerk (SCM invoice receiving office) .
5. Once the end- user has verify the invoice and authorised it to be paid it must then first submit it to budget for verification of vote/ segment used and if sufficient funds are available, and then submit it to the CFO's PA who will register it and forward it SCM invoice receiving office where a GRV will then be process.
6. The invoices will then be sent through to creditors unit for processing.

RECORDING OF INVOICES – DIRECT PAYMENTS

All invoices must be submitted in the registry office, and it then get stamped for the date it was received and be registered on the register.

The invoices will then be submitted to the Office of the CFO. The CFO' PA will then stamp for the date there were received, the invoices will also be registered on the register in the CFO office.

The invoices will then be submitted to the is designated office under SCM which deals with receiving invoices.

1. The clerk will then check the invoice for completeness and compliance with SARS regulations.
 - The Name of Supplier;
 - Amount on invoice;
 - VAT Number for both supplier and the Municipality;
 - VAT Amount;
 - The description of goods and services rendered

- The name ' Tax invoice or Invoice' if it appears on the suppliers invoice.
 - Memorandum attached
 - A system report must be attached for all previous payments made on that construction project.
2. Request any shortcomings from supplier and request supplier to correct invoice if needed.
 3. Invoices will then be distributed to relevant departments if order was not issued.
 4. The end user department will then attach the supporting documentation and authorised the invoice and confirm that goods and services were received or rendered.
 5. The end-user department must submit their invoices to Revenue section for the verification of the suppliers status on the Municipality water accounts. If the supplier owes the Municipality payment will not be made up until the account is settled.
 6. Once the end- user has verify the invoice and authorised it to be paid it must then first submit it to budget office for verification of vote/ segment used and if sufficient funds are available,
 7. The invoice must then be submitted to CFO office which will then submit it to SCM invoice receiving office.
 8. The end-user department must submit all projects' payments to Contracts and Assets units for verification before there are sent back to SCM clerk (SCM invoice receiving office) .

PAYMENTS

Due to that the Municipality being under Administration all invoices will need to be approved by the Interim Finance Committee to be paid unless otherwise instructed to do so.

Creditor's reconciliation must be prepared monthly.

Fruitless and wasteful expenditure register must be updated on the monthly basis and reported to the relevant committees and council.

The Creditor's clerk must check the following when processing the payment:

- The Invoice is original and in terms of SARS,
- The invoice is authorised by the person delegated by the Accounting Officer to do.
- The vote number is specified and if sufficient funds are available.
- If it is a contract payment; the clerk will need to check if the contract or appointment letter is attached, and if the contract is still valid.
- The invoice is not a duplicate invoice.
- The VAT number is correct for both the supplier and the municipality.
- Invoice amount calculations are correct
- Acknowledgement that goods or service has been received.
- Authorisation memo is attached

- The invoice needs to be check against the order, if it is an order payment
 - Performance reports need to be attached on all construction grants payments.
 - A system report must be attached for all previous payments made on that construction project.
 - A system report or last payment proof of payment must be attached on the new payment to be made.
- If everything is in order, then the clerk must sign to show that the invoice has been checked.
 - A payment voucher will be prepared, and be submitted to Budget office for vote/ segment verification and if there are available funds on the vote
 - A checklist will then need to be used to check that everything has been done properly.
 - A spreadsheet will be prepared to be loaded on FNB for checking of payment vouchers.
 - The payment voucher and the spreadsheet will then be sent for checking to the Accountant and Manager Expenditure.
 - The costing of the invoices will then be done by the creditors clerk on the Municipal financial system.
 - Once the payment voucher is checked and costed on the financial system it will then be sent for loading on FNB (provided it was approved to be paid by CFO, MM or MR)
 - The document will then be sent through to be checked and be authorised on FNB by two authorised signatories who will then sign it off.

- The invoice must then be stamped “**paid**” once payment is made.
- Creditor’s reconciliation must be prepared monthly.
- Fruitless and wasteful expenditure register must be updated on the monthly basis and reported to the relevant committees and council.

FILLING

- Paid invoices will then, need to be sent to the filling room immediately after being received from the last signatory that has authorised the payment and be sent to the filling room.
- Creditor’s clerks need to keep a register for all documents that has been send through to the filling room, and of which the filling clerk need to sign as the person whom has received it.
- A filling clerk will also need to keep a register for all the movements of all the documents received by the filling room, on the filling room documents register.
- All documents taken from the filling room need to be signed off by the person who has taken it, *(same will apply when the documents are returned)*.
- No documentation must be given out to other departments without the consent of the CFO or Senior Manager: Finance, Preferable copies of documents need to be given out, other than the original documents unless otherwise originals are needed.
- A monthly reconciliation will be done to ensure that all documents processed in that month have been received by the filling clerk.