



INTERNAL CONTROLS: EXPENDITURE SECTION

EXPENDITURE, PAYROLL AND VAT MANAGEMENT

PROCEDURE	FREQUENCY	RESPONSIBLE PERSON	APPLICABLE POLICY
<p><u>EXPENDITURE UNIT</u></p> <p><u>INVOICES</u></p> <ul style="list-style-type: none"> Expenditure section receives invoices on a daily basis and the expenditure official check the validity, accuracy and completeness of an invoice and records the invoice on the Invoice record book. All invoices received are date stamped and recorded on an invoice register to ensure that they are paid within 30 days upon receipt of a valid invoice. All invoices received from the previous day are submitted to Supply Chain Management 	Daily	Expenditure Officials	Supply Chain Management Policy



INTERNAL CONTROLS: EXPENDITURE SECTION

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unit in the morning on a daily basis.			
PAYMENT PROCEDURES <ul style="list-style-type: none"> • Expenditure section receive a completed payment Voucher with a signed GRV by the user department HOD every Monday and Tuesday from SCM • Manual payments from relevant departments with approved invoices are submitted to expenditure unit every Monday and Tuesday 	Weekly	Expenditure Officials	Supply Chain Management Policy



INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none"> • Payment voucher for manual and system generated payments is prepared by the expenditure intern / expenditure officer. • Expenditure accountant reviews the payment voucher and check budget availability before the payment is processed. • Payment voucher is then submitted to M: Expenditure for review and DCFO/CFO for final review. • The reviewed payment vouchers are submitted to expenditure section where both manual and system generated payment batches are prepared. 	Weekly	CFO, DCFO, M: expenditure & Expenditure Accountant	Supply Chain Management Policy Cash Management and Investment Policy.



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INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none">• Payment batches are reviewed by Expenditure Accountant and authorized and updated on Munsoft system.• Updated payment batches are exported to FNB and authorization requested report is generated from FNB. Report is then reviewed by Expenditure Accountant / M: Expenditure to ensure that payee, amounts and bank details are correctly captured. These are in turn reconciled to the Age analysis.• After payments have been approved a copy of the proof of payment is printed			



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INTERNAL CONTROLS: EXPENDITURE SECTION

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<p>and attached to the payment voucher.</p> <ul style="list-style-type: none"> • Payments are then electronically approved by any two between DCFO, CFO and MM. 			
<p><u>CAPTURING</u></p> <ul style="list-style-type: none"> • Upon approval of payment batches, cashbook is automatically updated. Munsoft system automatically generates the sequentially pre-numbered payment reference numbers which are manually referenced by the capturer on the payment voucher. • Payment vouchers and invoices are then stamped PAID and CAPTURED to avoid double payments and capturing. 	Weekly	Expenditure Accountant, Payroll Officer, Expenditure intern	Supply Chain Management Policy Cash Management and Investment Policy



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INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none">• Payments are then sequentially filled weekly in a locked cabinet.• Bank statements are printed on a daily basis to identify and capture and direct payments which are manually captured and referenced	Daily	Expenditure Accountant, Expenditure Officer, Expenditure intern	
<u>PETTY CASH</u> The municipality has total petty cash float of R11, 500 000 per month.	Monthly	Expenditure Officer, Expenditure Accountant, AM: Budget & Reporting, DCFO, CFO	Petty cash policy



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INTERNAL CONTROLS: EXPENDITURE SECTION

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<p>Petty cash is managed by expenditure unit and money is kept in a safe.</p> <ul style="list-style-type: none">• Departments requesting petty cash complete petty cash requisition form which is signed and approved by departmental HOD. M: Budget and reporting confirm vote allocation & budget availability before petty cash amount is released.• A signed form is submitted to petty cash officer who then signs after money has been issued to the person/department requesting the funds.• On a monthly basis, petty cash reconciliations are prepared with supporting documents attached. Petty cash journals are posted to			



INTERNAL CONTROLS: EXPENDITURE SECTION

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the system to clear the account & requisition <ul style="list-style-type: none"> Daily cash float limit amounts to R500.00 			

PAYROLL PROCESSES & PROCEDURES

PROCEDURE	FREQUENCY	RESPONSIBLE PERSON	APPLICABLE POLICY
<p><u>SALARY PAYMENTS</u></p> <p>There are four Payroll companies for Managers, Councilors, Staff & casual employees Managers, staff & casual employees are paid on the 25th of every month. If 25 is on the weekend or Monday / Tuesday, salaries are paid Friday before the weekend. Councilors are paid on the 15th of every month. If 15 is on the weekend, salaries are paid Friday before the weekend.</p>	Monthly	CFO, CFO, M: Expenditure, Expenditure Accountant and Payroll officer	Cash Management & Investment policy.



INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none"> Signed individual changes for Councillors, s57 managers, Staff and Casual employees are received from HR department on a monthly basis. DCFO/CFO checks all the changes from HR and approves them to be captured on the system. File is then submitted to expenditure section for the changes to be captured on payroll system 			
<ul style="list-style-type: none"> All necessary changes per Payroll input are captured on payroll system by the payroll officer. Payroll officer receives S&T claims on the 10th and 15th of the month for both Councilors and staff respectively. Payroll Officer ensures that all S&T claims have pre-approved Trip authorization, approved claim form and relevant supporting documentation in accordance with S&T policy. 	Monthly	Payroll officer M: Expenditure , DCFO / CFO	Subsistence & Travelling policy, Cash Management & Investment policy.



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— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none">• Department of transport rates are used for Councilors and contract employees receiving fixed travelling allowance, SARS rate is used for all employees who do not receive fixed travelling allowance .• Any necessary valid changes are implemented before payment date, with the requisite supporting documentation and input from Human resources.• Once all changes have been captured on payroll system a change report is generated which is then reviewed by Expenditure Accountant and M: Expenditure.• Payroll file is submitted to DCFO/ CFO for final review.• Salary advices are printed 3 days before payment date and submitted to relevant departmental PA's for councilors and employees to check their remuneration and enquire before payment date.			



UMZIMVUBU
— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none">• A signed register is maintained to ensure that each employee received their salary advice slip at the relevant department.• After final approval before salaries are paid, payroll / Munsoft interface is done to ensure that both systems reconcile.• An entry is made which will allocate to the expenditure accounts and subsequently raise a creditor on Munsoft as a Salary control account.• Payment voucher for salaries showing individual salaries is prepared by payroll officer and reviewed by M: Expenditure• Final review is made by the DCFO/CFO• Upon approval of payment voucher an export to FNB for salaries to be paid is made and authorisation report from FNB is generated.• M:Expenditure review authorisation requested and ensures that correct amount is paid.			



UMZIMVUBU
— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none"> On payment from the bank into the respective recipients' accounts the amount owing is debited to the Salary control account and any differences investigated before the preceding month ends. 			
<p><u>3rd PARTY PAYMENTS</u></p> <ul style="list-style-type: none"> After interface has been done, Payroll officer print relevant 3rd party schedule and prepares payment voucher which is reviewed by expenditure accountant, AM: expenditure and DCFO /CFO for final approval 3rd party payments are paid on the 25th for both councilors and staff. A list of all the payments are generated for the system for reconciliation and filing purposes. 	Monthly	CFO, DCFO, M: Expenditure, Expenditure Accountant & Payroll Officer	Cash Management and Investment Policy.



UMZIMVUBU
— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<u>CAPTURING</u> <ul style="list-style-type: none">• Payments for Salaries and 3rd Party payments are manually captured on the financial system by payroll officer.• The system generates payment reference numbers which are manually referenced on the payment vouchers. Payment vouchers are sequentially filed and kept in locked cabinets	Monthly	Payroll Officer	
<u>MONTH END PROCEDURES & BACKUPS</u> <ul style="list-style-type: none">• Payroll suspense accounts are printed on a monthly basis after the month end procedure is done to ensure that all the monies that owed to 3rd parties are paid and all suspense accounts reconcile and cleared on a monthly basis. Any uncleared suspense accounts are immediately followed and valid necessary journal entries are passed	Monthly	Payroll Officer	



UMZIMVUBU
— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none">SARS Bi-annual reconciliation is prepared by Payroll officer and reviewed by Expenditure Accountant. Recon is then submitted to SARS on or before deadline as stipulated by SARSAnnual reconciliation is done by Payroll officer, reviewed by Expenditure accountant and submitted to SARS on or before 31st of May. Upon approval of annual reconciliation, individual IRP5s are printed immediately and submitted to departmental PA's before start of the tax seasonOn a monthly basis, a report showing expenditure incurred on staff benefits is prepared and submitted to MANCO, Standing Committee, EXCO and council	Bi-annual Annually	Payroll Officer, Expenditure Accountant Payroll Officer, Expenditure Accountant	
<ul style="list-style-type: none">On a monthly basis Expenditure Accountant copy all four companies on payroll system and back up for all four companies is generated	Monthly	Expenditure Accountant	MFMA



INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none"> Back up to server is used as internal back up and back up to CD's is used as external backup. CD backups are properly kept in a safe place by M: Expenditure 			

VALUE ADDED TAX PROCESSES AND PROCEDURES

PROCEDURE	FREQUENCY	RESPONSIBLE PERSON	APPLICABLE POLICY
<ul style="list-style-type: none"> On a monthly basis after month end procedures have been done and month closed, Expenditure Accountant prints input and output vat accounts. <ul style="list-style-type: none"> Input vat control account for payments made. Output vat control account for payments received. 	Monthly	CFO / DCFO, M: Expenditure, Expenditure Accountant, Revenue Officer	VAT Legislation



UMZIMVUBU
— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none">• Expenditure Accountant then compares all payments made with the input vat control account schedule to ensure that only vatable supplies are included in the schedule and also ensure that the correct amount is claimed on the input vat control account.• Output vat is also scrutinized that only vatable items are included.• Schedules are submitted to M: Expenditure for review.• Any identified errors for both input and output vat are corrected by means of journal entry.• Journals are approved and authorized by AM: Expenditure / CFO / DCFO• After journals have been approved VAT 201 return is electronically captured and submitted by M: Expenditure via e-filing before the 25th of the month.• A journal entry derecognizing input and output vat and recognizing vat debtor is immediately captured on the financial			



UMZIMVUBU
— LOCAL MUNICIPALITY —

INTERNAL CONTROLS: EXPENDITURE SECTION

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<p>system after the return has been submitted.</p> <ul style="list-style-type: none"> Upon receipt of refund amount is captured by Revenue Officer under VAT debtor's suspense account to clear the balance. 			
<ul style="list-style-type: none"> Upon receipt of refund from SARS VAT reconciliation is prepared using accrual basis of accounting by printing all VAT accounts (including input / output suspense accounts) on a monthly basis by Expenditure Accountant, reviewed by M: Expenditure and authorised by DCFO/CFO, with FNB statement showing refund attached to the reconciliation. Statement of account is generated from e-filing. 	Monthly	CFO, DCFO, M: Expenditure ,Expenditure Accountant	Cash Management & Investment policy.



INTERNAL CONTROLS: EXPENDITURE SECTION

JOURNALS & RECONCILIATIONS PROCESSES & PROCEDURES

PROCEDURE	FREQUENCY	RESPONSIBLE PERSON	APPLICABLE POLICY
<p><u>JOURNALS</u></p> <p>The municipality passes routine & non routine journals. All journals are authorised by sectional Assistant manager and approved by DCFO / CFO. Supporting documents are attached to every journal.</p> <p><u>ROUTINE:</u> On a monthly basis, Payroll officer generates payroll interface journals. Expenditure accountant prepare VAT journals recognizing VAT debtor. Expenditure Officer prepares petty cash journals clearing petty cash suspense account.</p> <p>A reconciliation is performed by comparing the Statement of Account from SARS with the general ledger on Munsoft. It is prepared by the Expenditure accountant and reviewed by the M: Expenditure.</p>	Monthly	BTO Officers, Accountants, BTO Managers, DCFO, CFO	MFMA



UMZIMVUBU
— LOCAL MUNICIPALITY —

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<p><u>NON ROUTINE</u></p> <p>Sectional managers review financial records and if any misallocation is identified, it is corrected by means of a journal entry. Valid supporting documents for misallocations are attached to journal</p>			
<p><u>RECONCILIATIONS</u></p> <p>The municipality prepares the following reconciliations on a monthly basis which are signed and approved by Assistant Managers & DCFO / CFO. All reconciliations are done and reviewed on or before the 10th of each month except VAT reconciliation which is done immediately upon receipt of a refund from SARS and SARS reconciliations which are submitted before SARS deadlines</p> <ul style="list-style-type: none"> • Bank reconciliation: Reconciliation of bank statement balance with cash book balance. • Petty cash reconciliation: Reconciling petty cash float with supporting 	Monthly	Expenditure & Payroll Officers, Accountant Expenditure, M Expenditure, DCFO, CFO	MFMA



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— LOCAL MUNICIPALITY —

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<p>documents, petty cash form and cash on hand</p> <ul style="list-style-type: none"> • VAT reconciliations: Reconciling Input & Output VAT per VAT 201 & Munsoft votes • Creditors reconciliation: Reconciling creditors age analysis vs. outstanding invoices per invoice register and cashbook • Retentions reconciliation: reconciling retentions raised at year end against payments that have been made. • Bonus accrual reconciliation: reconciling bonuses raised at year end against bonuses paid during the year. • Leave pay reconciliation: reconciling leave committed at year end with leave payouts made during the year. • Long/Short term liability: reconciling long service liability raised at year end with long service payouts made during the year. 			



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INTERNAL CONTROLS: EXPENDITURE SECTION

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<ul style="list-style-type: none"> SARS bi-annual & annual reconciliations: Reconciling EMP 201 and submitting EMP 501 <p>Supporting documents are attached to all reconciliations and properly kept in locked cabinets</p>			
<p><u>SUSPENSE ACCOUNTS</u></p> <p>The two suspense accounts are Salary Control and Petty Cash. Suspense accounts are cleared on a monthly basis and reasons for any un-cleared votes are properly documented.</p>	Monthly	Revenue / Payroll officers, M Revenue & Expenditure	MFMA