



The Council of Kwa Sani Local Municipality has in terms of section 156 of the Constitution, 1996 (Act No. 108 of 1996), read in conjunction with sections 11 and 98 of the Local Government : Municipal Systems Act, 2000, (Act No. 32 of 2000), made the following By-laws:

## **FINANCIAL BY-LAWS**

### **PURPOSE**

In terms of the Constitution of the Republic of South Africa (Act No. 108 of 1996) municipalities shall have inter alia the following rights:

#### **Section 151(3)**

A municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution.

#### **Section 156(2)**

A municipality may make and administer By-laws for the effective administration of the matters which it has the right to administer.

#### **Section 160(2)**

A Municipal Council may make By-laws which prescribe rules and order for -

- (a) its internal arrangements;
- (b) its business and proceedings.

As the Council is accountable to its voters, it believes that in regularizing financial administration, it will ensure that sound administration prevails and that Council is satisfied that it complies with relevant legislation, and therefore issues these By-laws, acting under the authority of Section 11, read in conjunction with Section 98 of the Local Government : Municipal Systems Act, 2000 (Act No. 32 of 2000).

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## 1. DEFINITIONS

- (1) In these By-laws, unless the context otherwise indicates –
- “**Accounting Officer**” means the municipal official referred to in section 60 of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003);
- “**Chief Financial Officer**” means the employee designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003) or any amendment thereto, and any person duly authorised by the Council to act on his behalf;
- “**committee**” means any committee established in terms of sections 79 or 80 of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998);
- “**Council**” means a municipal council referred to in section 157(1) of the Constitution, 1996 (Act No. 108 of 1996);
- “**department**” means any department, section or branch of the Council of which the head reports directly to the Municipal Manager only;
- “**GAMAP**” means Generally Accepted Municipal Accounting Practices;
- “**GRAP**” means Generally Recognised Accounting Practices;
- “**Head of Department**” means the person appointed or acting as head of any department of the Council;
- “**Municipal Manager**” means a person appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).
- (2) Any other word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003, and the Local Government: Municipal Systems Act, 2000, unless inconsistent with the context shall, wherever such word or expression appears in the By-laws, bear the same meaning as that assigned to it in the said legislation.
- (3) Words applying to any individual shall include persons, companies and corporations and the masculine shall include females as well as males and the singular shall include the plural and *vice versa*.

## 2. ESTIMATES AND BORROWING

### (1) BORROWING

The Chief Financial Officer shall be responsible for the raising of such loans required for the purpose of financing capital expenditure from external sources in accordance with such terms and conditions and from such sources approved by the Council after considering the Chief Financial Officer's report.

### (2) PREPARATION OF ANNUAL BUDGET

- (a) Every Head of a Department shall, in respect of the activities of his department, and in consultation with the Chief Financial Officer, prepare –
- (i) a draft annual budget to appropriate money for the requirements of the municipality;
  - (ii) a draft annual budget for an ensuing financial year; and
  - (iii) a draft capital programme for the following number of financial years as determined by Council's Integrated Development Plan.
- (b) (i) The annual budget must be in the prescribed format and shall be prepared and completed at such date as determined by the Chief Financial Officer in consultation with the Mayor in terms of section 21 of the Local Government: Municipal Finance Management Act, 2003.

- (ii) The Municipal Manager shall not later than the last day of February of each year report to the Council with regard to the difference between the actual and estimated income and expenditure for a financial year based on the figures of at least the first five months of that particular financial year.
- (c) The Chief Financial Officer shall issue guidelines, after considering any growth factor determined annually by the National Treasury for municipalities generally with regard to the preparation and administration of the estimates, and Heads of Departments shall comply with such guidelines in the preparation of their estimates.
- (d) The Municipal Manager in conjunction with the Mayor in terms of section 21 of the Local Government: Municipal Finance Management Act, 2003 shall upon completion of the draft budget, follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act, and shall thereafter submit such draft, together with comments received, including his proposals for the funding thereof, to Council for approval.
- (e) The draft budget submitted to the Council for approval shall not reflect a deficit. If the aggregate operating income is less than the aggregate operating expenditure, the estimates shall contain proposals to cover such deficit.
- (f) The Council shall, prior to the beginning of a particular financial year, approve the estimates and determine the property rates, tariffs and rentals to be levied in order to balance the operating estimates : Provided that expenditure or income proposed shall not be increased or decreased unless the effects of such proposed changes have been discussed during the process of community participation.
- (g) The approved estimates may be amended by the Council during a financial year : Provided that the total estimates are not exceeded. Where expenditure is required in excess of the approved estimates, any necessary external approval shall be obtained.
- (h) The Mayor must on a monthly basis or as often as may be prescribed, submit reports in the prescribed format on the state of the municipality's budget.

**(3) CAPITAL EXPENDITURE**

- (a) A report submitted by a Head of a Department in which authority is sought to incur capital expenditure, shall be done in terms of section 19 of the Local Government: Municipal Finance Management Act, 2003, and shall include the following:
  - (i) The total estimated costs with a complete analysis thereof, including any consequential expenditure which will arise as a result of the works or undertaking.
  - (ii) The estimated capital amount to be expended annually in respect of the works or undertaking.
  - (iii) The estimated annual income to be derived and the estimated annual expenditure of any kind, including expenditure on additional staff to be incurred when the works or undertaking are taken into use.
  - (iv) The estimated duration of life of the asset to be created.
  - (v) An indication whether the work shall be done departmentally, or by an external contractor.
  - (vi) Any other information required by the Municipal Manager.
- (b) No capital expenditure shall be incurred unless –
  - (i) provision therefore has been made in the approved capital estimates; or
  - (ii) the Council has approved a report for additional funds for capital projects/items which were originally not budgeted for.

If sufficient funds are not available within the approved budgeted quota for any additional amounts required, the Head of a Department shall indicate which other project/item of his department can be cancelled to cover the additional expenditure; or if such source is not available, the Chief Financial Officer will, after

- consultation with the respective Head of Department, make a recommendation how the shortfall will be financed;
- (iii) the Council has expressly approved such expenditure as mentioned in (i) or (ii); and
  - (iv) all approvals required by law have been obtained and all other requirements have been complied with.
- (c) No under-expenditure on any capital project shall be employed to cover additional expenditure on any other approved capital project without the approval of the Council : Provided that the Chief Financial Officer may, on recommendation of a Head of a Department, transfer a financial provision not exceeding the maximum amount as determined in section 16(5).
- (d) If an approved capital estimate vote is exceeded, or is expected to be exceeded, the Head of a Department concerned, shall, subject to the provisions of section (3)(c), obtain at the first possible opportunity, appropriate authority from the Council for the additional expenditure, and such Head of a Department shall report the reasons –
- (i) for the additional expenditure; and
  - (ii) why timeous authority, where applicable, was not obtained for the additional expenditure.
- (e) A Head of a Department shall advise the Chief Financial Officer as soon as he becomes aware of any amount on his capital estimates which is no longer required by his department, and the Chief Financial Officer shall report to the Council regarding such saving.
- (f) Subject to the approval of the Council, budgeted expenditure allocated to uncompleted projects from a previous financial year may be incurred during a current financial year : Provided that, if necessary, a corresponding under-expenditure must be effected by the Head of a Department.

**(4) OPERATING ESTIMATES**

**(a) Excess expenditure**

If the Mayor has reason to believe that any operating estimate provision is or will be insufficient, he shall forthwith report the matter to the Council : Provided that the Chief Financial Officer may, subject to such conditions as the Council may determine, authorise the transfer of an operating estimate provision, or part thereof from a vote or votes expected to be underspent to the abovementioned operating estimates provision. In the event where no under-expenditure is available, the reasons for the excess expenditure shall be stated and any decrease in other expenditure which may occur in order to meet the excess expenditure, shall be indicated. The matter shall be considered by the Council with a view to cover the excess expenditure by a decrease in expenditure or an increase in income.

When the full amount provided for a specific purpose in the estimates in respect of the operating account has not been spent for that purpose, the balance shall not, except as mentioned above or with the consent of the Council, be used for any other purpose.

**(b) Shortfall in income**

Where estimated income is unlikely to realise, the Head of the Department concerned shall, without delay, give an account for the reasons resulting to the shortfall in income to the Chief Financial Officer. The Mayor shall then report to the Council if the shortfall is, in his opinion, substantial and indicate how the shortfall will be met.

**(5) REPORTS**

- (a) No report containing financial implications shall be considered by the Council unless the report, including a financial report of the Chief Financial Officer in this regard, has been considered by the Executive Committee. The essence of the contents of the financial report of the Chief Financial Officer shall not be altered.

- (b) Where any expenditure is contemplated in a report submitted to the Council, the Head of the Department shall indicate the applicable provision on the capital or operating estimates and the vote against which the expenditure is to be charged.
- (c) Before instructions are given to a consultant with regard to any capital project, and before any expenditure is incurred, the Head of the Department concerned, having first obtained the approval of the Council or Executive Committee, where applicable, shall also see to it that adequate financial provision is made in the relevant estimates.

### 3. ACCOUNTING SYSTEMS AND COSTING

- (1) The Chief Financial Officer, or a Head of a Department, when so requested by the Chief Financial Officer, shall maintain proper cost accounting systems in respect of intergovernmental grants, capital and operating accounts and, except in so far as the form of such accounts may be prescribed by law, such systems shall be kept in whatever form the Chief Financial Officer or external grantor of funds should consider suitable.
- (2) The system used by a department for the collection of revenue, the keeping of books or any records relating to financial matters, assets, stocks, as well as cost accounting, shall be subject to the approval of the Chief Financial Officer and no such system shall be established, altered or deviated from without the Chief Financial Officer's approval.
- (3) The Chief Financial Officer shall keep the financial accounting records of the Council up to date, and the accounting systems which he has accepted in compiling such records shall, apart from complying with any prescribed law, adhere to any compulsory guidelines which National Treasury may from time to time after consultation with the Auditor-General determine.
- (4) The Chief Financial Officer shall continuously review all tariffs in respect whereof expenditure is taken into account elsewhere, in conjunction with a Head of a Department.
- (5) The Chief Financial Officer shall prepare financial statements in respect of each financial year in accordance with GAMAP and/or GRAP, and certify, together with the Municipal Manager, the correctness of such statements.
- (6) Except in respect of normal services for which the Council has determined tariffs, no goods of any kind belonging to the Council, or in respect of which it is taxable, shall be supplied to, and no work shall be carried out by it for any other person without the Council's approval and unless the Council is satisfied that the supplying of such goods or the executing of such work is to its advantage.
- (7) No material shall be supplied to and no work shall be carried out for a private individual, company, firm, organisation, state or parastatal body, unless the Head of the Department concerned has been notified by the Chief Financial Officer that the amount of the estimated cost or part of the cost of the work has been paid or otherwise been provided for : Provided that the Chief Financial Officer may in his discretion, in the case of state or parastatal bodies, deviate from this provision. If a payment has been made in advance in compliance with this section, and it nevertheless becomes evident to the Chief Financial Officer or the Head of the Department performing the work or supplying the material, that such payment in advance is likely to or will be exceeded by the cost of the work or material, such Head of a Department shall not continue with the performance of such work or the supply of such material without the prior consent of the Municipal Manager, and without thereafter complying with such terms and conditions as the Municipal Manager may determine.
- (8) No department shall carry out work or render services to another department or section unless such work or services are requisitioned on the Council's official departmental works order and signed by a duly authorised official. The document shall contain a description of the work or services, the estimated cost thereof, the authority for incurring the expenditure, and the vote or item or job number against which such expenditure should be debited.
- (9) Charges levied by one department in respect of another department, for work or services referred to in section 3(8) shall be submitted without delay to the latter department for approval and thereafter be submitted to the Chief Financial Officer for recharge purposes. Any objection to such a charge shall be referred to the Chief Financial Officer for a final decision.
- (10) (a) Works, which have been provided for on the operating estimates, including the maintenance and repair of such works, of which the anticipated cost will, in the opinion of

the Head of the Department concerned, exceed the amount mentioned in section 16(5) as well as such other work as may be determined by the Council, shall not be carried out departmentally unless the Chief Financial Officer has issued a work order for same on application by the Head of the Department concerned.

- (b) The Chief Financial Officer may refuse to issue a work order as referred to in subsection (a) as he deems necessary if the application therefor is not supported by such information relating to material, labour, transport and other costs.
  - (c) An application for the issue of a work order shall be submitted on a form prescribed by the Chief Financial Officer, and the vote against which the relevant expenditure is to be charged shall be stated therein.
- (11) No stocks and materials shall be transferred from one job to another, unless there has been complied with the provisions of section 14(11)(a).

#### 4. INCOME

- (1) The Accounting Officer shall be responsible for the collection of all monies due to the Council in terms of the Council's Credit Control and Debt Collection By-laws.
- (2) All monies received shall be balanced and deposited daily, or at such regular intervals as the Chief Financial Officer may determine, at the department of the Chief Financial Officer or the Council's bankers. The Chief Financial Officer must be provided with the necessary proof that the monies have been balanced and deposited.
- (3) The Chief Financial Officer shall ensure that all monies received by any other department are paid over regularly to his department or otherwise in accordance with the provisions of section 4(1), and for that purpose he shall prescribe a system for the collection of income, and no such system shall be altered or deviated from without the Chief Financial Officer's approval.
- (4) Heads of Departments shall notify the Chief Financial Officer immediately of any monies becoming due to the Council, and such notification shall state the reasons why such monies are due.
- (5) No amount due to the Council shall be written off as irrecoverable without the approval of the Council, provided that the Chief Financial Officer shall be authorised to write off appropriate amounts in any one case not exceeding the amount as determined in section 16(5), and a record of all amounts written off shall be kept by the Chief Financial Officer, in such form as he may decide.

#### (6) RECEIPTS

- (a)
    - (i) All monies received shall be recorded immediately by means of a numbered official receipt or in any other manner approved by the Chief Financial Officer.
    - (ii) Receipts shall not be altered in any way and the use of erasable ink, solvents or a similar device shall not be permitted and any error appearing thereon shall be rectified by the issue of a new acknowledgement of receipt and the cancellation of the erroneous receipt.
  - (b) Every cancelled receipt form or other applicable acknowledgement document and all duplicates thereof shall be replaced in its proper place in the receipt book, or, in the absence of a receipt book, filed in accordance with instructions issued by the Chief Financial Officer.
  - (c) Any surplus cash found shall immediately be declared as such and deposited without delay to the credit of the appropriate account and all cash shortages shall be dealt with in terms of section 32 of the Local Government: Municipal Finance Management Act, 2003: Provided that if the Council, considering the circumstances, is satisfied that the official was in no way to blame for the deficiency, he may decide that the mentioned official shall not be obliged to make the deficit good or that the amount of any deficit which he has made good, shall be refunded to him.
- (7) The determination and annual review of rentals, tariffs, fees and other charges shall be done and appropriate recommendations shall be made to the Council as agreed between the Chief Financial Officer and the applicable Head of the Department.

## 5. CONTROL OF RECORDS

- (1) Receipt books as well as all printed material offered for sale, except documents which any department controls and sells with the explicit authorisation of the Chief Financial Officer, shall be obtained only from the Chief Financial Officer, and the Chief Financial Officer or department so authorised shall keep a register with particulars of the quantities received from the printers and of the items issued, together with the signature of the recipient.
- (2) Every document containing a record of transactions which involves the receipt or payment of money, which is to be written up by hand, shall be completed in ink, and the use of pens with erasable ink is not allowed. Where an entry in such document has been audited, it shall not be altered in any way.
- (3) Any improvements or alterations to other records shall be made by crossing out the incorrect figures and inserting the correct figures at the top, and the person making the alteration shall affix his signature thereto.
- (4) It shall be the responsibility of every Head of Department to take the necessary steps to safeguard all documents of possible significance in legal proceedings and which fall under the control of his department and to store such documents as are necessary in terms of the Archives Act, Act No. 6 of 1962, and the Director : Corporate Services may, from time to time, issue directives in this regard.
- (5)
  - (a) All title deeds, agreements and similar legal documents, shall upon completion, be placed in the safe custody of the Director : Corporate Services who will issue directives in this regard.
  - (b) The Director : Corporate Services shall maintain a register of all documents mentioned in subsection (a) in which the number, nature, period of validity and any other information of importance regarding each document, is recorded.

## 6. CONTROL OF PAYMENTS

- (1) Every payment from the funds of the Council, other than imprest money, shall be made by the Chief Financial Officer by means of the Council's bankers.
- (2) The signatures of at least two persons duly authorised by the Council shall appear on all cheques issued by the Council.
- (3) Every Head of a Department shall maintain a register of persons to whom authority has been delegated to sign official documents, and such register shall indicate the nature of the documents to which such signing authority applies, and shall include specimen signatures.
- (4) A copy of the register referred to in section 6(3) shall be made available to the Chief Financial Officer, who shall be notified immediately of any changes to such register.
- (5) Every voucher submitted for payment shall be in the form prescribed by the Chief Financial Officer and shall be certified by an authorised official from the department concerned and shall, when submitted to the Chief Financial Officer, be accompanied by supporting documents, where applicable, and have the following information thereon:-
  - (a) The name of the department against which it is to be charged.
  - (b) The vote, item or account number from which it is to be paid.
  - (c) That sufficient estimate provision exists.
  - (d) The authority for the expenditure.
  - (e) That the goods have been received or the services rendered.
  - (f) The statutory authority, where relevant.
  - (g) That the price charged is reasonable or according to contract.



- (h) Such other information as the Chief Financial Officer may direct.
- (i) The Chief Financial Officer or an official authorised by him to do so shall approve such voucher before settlement of the account.
- (j) Progress payments in respect of a contract shall be limited to the value of the work and the material supplied, as certified in terms of the aforesaid subsections, less the amount of previous payments made and the amount of retention money withheld in terms of the contract.

In the case where the Council makes use of the service of consulting engineers, architects etc., the certificate for payment must be co-signed by the Director : Technical Services or other responsible Head of a Department as applicable.

- (k) The Chief Financial Officer shall not in respect of any contract make any payment in excess of the total amount authorised by the Council unless the Council has resolved otherwise after considering a written report by the Head of the Department concerned stating the reasons why the excess expenditure should be incurred.
- (6) Notwithstanding the provisions of sections 6(5)(c) and (d), payment shall nevertheless be made where the Chief Financial Officer in conjunction with the Director : Corporate Services is of the opinion that the Council is under a legal obligation to do so : Provided that such payment is so certified and : Provided further that such payment shall forthwith be reported to the Council for approval.

(7) **PETTY DISBURSEMENTS**

- (a) Imprest accounts for the making of petty disbursements, shall only be established with the approval of the Chief Financial Officer, who shall prescribe the amount of such accounts and the nature and extent of payments to be made therefrom.
  - (b) Every voucher submitted by a department for the refund of petty disbursements shall be accompanied by supporting documents acceptable to the Chief Financial Officer for all such payments and a proper record shall be kept in a form approved by the Chief Financial Officer.
- (8) The Chief Financial Officer shall submit a monthly report in respect of the immediate preceding month reflecting the cash and bank balances as at the beginning of the month, the total amounts received and payments made during that month and the cash and bank balances as at the end of that month reconciled with the bank statements.

**7. STAFF RECORDS AND PAYMENTS**

- (1) The Chief Financial Officer is responsible for the calculation of salaries, wages, allowances and leave and shall keep the necessary records for this purpose.
- (2) The Chief Financial Officer shall be responsible for the verification of all calculations referred to in section 7(1).
- (3) The payment of all salaries, wages and allowances shall be made by the Chief Financial Officer and the method of such payment shall be at his discretion.
- (4) The Chief Financial Officer shall be notified of all appointments, promotions, dismissals, resignations, transfers, leave of any description as well as any absence without leave of an employee and all matters affecting the emoluments of employees of the Council. The submission of such information to the Chief Financial Officer shall be in such form and at such date and time as the Chief Financial Officer may from time to time determine.
- (5) A Head of a Department shall be required to certify that, in respect of every employee reflected on the paysheet for each pay period, such employee was employed by the Council during such period.
- (6) In the event of salaries and wages having to be paid in cash due to unforeseen circumstances –
  - (a) the supervisor or a responsible official designated by the Head of the Department, and who shall be present, and the paymaster shall certify that the amounts reflected on the

paysheet or pay tickets have been duly paid to the respective persons against their signatures or other marks of identification; and

- (b) the paymaster or other responsible official designated by the Chief Financial Officer shall certify that all unclaimed salaries or wages have been paid into the designated account, in accordance with any relevant legislation, within the period specified by the Chief Financial Officer and appropriate record of such unclaimed monies shall be kept.

## 8. INTERNAL CONTROL

- (1) The following shall be the responsibility of a Head of a Department:-
- (a) To establish and maintain internal control systems to ensure that the activities of his department are conducted in an efficient and well ordered manner; and that the control systems are as such that, where applicable, it will assist to reach the goals which must be obtained in sections 9(6) and 9(7).
- (b) To ensure that adequate measures are taken to safeguard computer equipment, programs and all associated records.
- (c) Generally to maintain and safeguard all assets, materials and records for which the department is responsible.
- (d) Such financial control systems are subject to the approval of the Chief Financial Officer and for such purpose each Head of a Department must submit such control systems to the Chief Financial Officer. The Chief Financial Officer has the power of attorney to implement such control systems where the Head of the Department neglects to do so.

## 9. AUDIT

- (1) The Municipal Manager shall be responsible for the auditing (on such a basis as he considers appropriate and subject to any legal prescriptions) of all records, transactions, undertakings or matters in general relating to the finance, stocks and assets of the Council.
- (2) The Municipal Manager and any other person authorised by him shall have access to any information which he deems necessary to meet the requirements referred to in section 9(1).
- (3) A Head of a Department shall advise the Municipal Manager of any departmental inquiry which may be applicable to the financial administration, stocks and assets of the Council and shall request the Chief Financial Officer to personally or by an authorised official, be present at such inquiry.
- (4) The Chief Financial Officer may, at his discretion, and in addition to any steps taken by the Head of the Department, submit a report to the Municipal Manager or the Council, after consultation with the Municipal Manager on any matter pertaining to such inquiry.
- (5) A Head of a Department and every official thereof shall upon request of the Chief Financial Officer to the best of his knowledge furnish him with such information relating to financial matters, stocks and assets as the Chief Financial Officer specifies.
- (6) In performing the internal audit function, the Accounting Officer shall consider and, where he deems it necessary, report on, inter alia, the following to the Audit Committee:-
- (a) Whether, to the best of his knowledge, all income which should accrue to the Council has indeed so accrued and has been properly recorded.
- (b) Whether proper authority exists for any amount written off as irrecoverable or abated.
- (c) Whether effective accounting records are maintained.
- (d) Whether expenditure incurred on any item or project, including interdepartmental jobs –
- (i) has been correctly allocated between the capital, trust fund and operating accounts;
- (ii) has been charged to the correct vote;

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- (iii) has been made with proper authority;
  - (iv) complies with the law; and
  - (v) if any investigation has been performed in terms of section 9(7) whether the Council received due value for money and whether waste, extravagance or inefficient administration exists.
- (e) Internal control, including the soundness, adequacy and application of financial measure controls.
  - (f) Whether procedures which apply to the finances of the Council and which are prescribed in these Regulations, or by any other law, or by a directive of the Chief Financial Officer, are adhered to.
  - (g) Whether the movable assets of the Council, cash and other interests are adequately safeguarded.
  - (h) Whether all securities for investments made by the Council are in order, adequately safeguarded and properly reflected in the books of the Council.
  - (i) Whether assets, stocks and materials at the various departments are verified at least once in every financial year.
  - (j) Whether cash in hand and all bank balances are verified monthly.
  - (k) Whether adequate security exists in respect of all computer installations in respect of financial transactions, assets, stocks and materials and the determined procedures for the proper management of such installations are properly observed.
  - (l) The suitability and reliability of financial and other management data developed within the Council.
- (7) Whenever a performance audit is conducted, the Audit Performance Committee must :-
- (a) assess the measures and procedures implemented to ensure effective and efficient management;
  - (b) evaluate the funding of such audit; and
  - (c) evaluate the reporting, in the financial statement, of the effective and efficient use of the municipality's resources;
  - (d) review the quarterly reports submitted to it;
  - (e) review the Performance Management System focussing on economy, efficiency, effectiveness and impact in so far as the Key Performance Indicators and Performance Targets as set by the municipality are concerned and make recommendations in this regard to Council;
  - (f) at least twice during a financial year submit an audit report to the Council.
- (8) **The Audit Committee may --**
- (a) communicate directly with the Council, Municipal Manager, Chief Financial Officer or the internal and external auditors of the municipality;
  - (b) access any municipal records containing information that is needed to perform its duties or exercise its powers;
  - (c) request any relevant person to attend any of its meetings, and if necessary, to provide information requested by the Committee and investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.
- (9) No financial computer program or any changes thereto shall be permitted to become operational until the Chief Financial Officer has approved and tested such financial computer program or the relevant changes, provided that this section shall only apply to computer programs which, in the
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opinion of the Chief Financial Officer relates to or affects the financial administration, assets, stocks and materials of the Council.

- (10) If a person who is in the employ of the municipality caused the municipality a loss or damage because he –
- (a) failed to collect money owing to the municipality for the collection of which he was responsible;
  - (b) is or was responsible for an irregular payment of money of the municipality or for a payment of such money not supported by a proper voucher;
  - (c) due to an omission to carry out his duties, is or was responsible for fruitless expenditure of money of the municipality;
  - (d) is or was responsible for a deficiency in, or for the destruction of or damage to money of the municipality, stamps, face value documents and forms having a potential value, securities, equipment, stores or any other property of the municipality; or
  - (e) due to an omission to carry out his duties, is or was responsible for a claim against the municipality;

then the Municipal Manager, or if the Municipal Manager was responsible for such loss or damage, the Council, shall determine the amount of such loss or damage and take disciplinary action where possible and in appropriate cases recover the loss or damage.

- (11) Any loss suffered by the municipality and which the Municipal Manager, or if the Municipal Manager is responsible, the Council, suspects to be due to any fraudulent or corrupt act or an act of bribery committed by any person, shall forthwith be reported by the Municipal Manager or the Council, as the case may be, to the South African Police Service.
- (12) Unauthorised expenditure shall be disallowed and shall not form a charge against a fund or account concerned until it has been approved by the responsible authority, in accordance with the normal budgetary procedure applicable to the fund or account concerned, and any unauthorised expenditure or part thereof as determined by the Minister, M E C or Council, as the case may be, which has not been authorised, shall be recovered from the Municipal Manager if he is unwilling to recover the amount concerned from the beneficiary or the person responsible for the unauthorised expenditure : Provided that where unauthorised expenditure has been effected –
- (a) on a written instruction of a Councillor notwithstanding the fact that he does not have the necessary authority; or
  - (b) as a result of a Council resolution in favour of which a Councillor voted, unless it is recorded that such Councillor voted against such resolution;

and after the Municipal Manager has recorded his objection against such instruction or resolution, such expenditure shall be recovered from the Councillor concerned : Provided further that all such unauthorised expenditure shall forthwith be reported by the Municipal Manager to the MEC for Local Government Affairs, the MEC responsible for Finance and the Auditor-General.

- (13) The Internal Auditor shall report to the Municipal Manager quarterly on the audit activities of his section.
- (14) The Audit Committee, must in turn, with respect to the internal auditing function:-
- (a) provide a forum for direct reporting of the findings of the Chief Financial Officer, if any;
  - (b) evaluate the efficiency and effectiveness of the internal audit function;
  - (c) assess matters of significant importance reported by the Chief Financial Officer/ Municipal Manager.
- (15) The Audit Committee must, in respect of financial reporting:-
- (a) assess the effectiveness of policies for and procedures of financial reporting;
  - (b) consider the way of fair presentation of the financial statements.
-