DEPARTMENT OF TRANSPORT, SAFETY & LIAISON

FINANCIAL MANAGEMENT POLICY AND PROCEDURE

ON

EXPENDITURE MANAGEMENT

Version control

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Approved:

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Document reference library

Document file name	Context and relevance
Public Finance Management Act, Act 1 of 1999	Section 38(1), 38(2), 76(4)(b) and 76(2)(b) of the PFMA;
Treasury Regulations chapter 8	Expenditure management
Division of Revenue Act	Issued per annual allocated budget

Business area impacted by this policy

Name of business unit / Area	Context and relevance
All divisions and business units within the Department	*Expenditure processes affect all divisions in the Department.* *All functions and officials involved in the process of spending public money must ensure that:* • *A genuine requirement exists to expend funds on particular goods and services;* • *All relevant supply chain prescripts have been adhered to and* • *Funds are available (and appropriated for that purpose).*

Definitions

Term	Definition
Executive Authority	Means the Minister or MEC.
Accounting Officer	Means the Director-General of the Department
The Act	Refers to the Public Finance Management Act, 1999
Expenditure Management	Expenditure management is the processes and procedures directed at achieving the 3E's – economy, efficiency and effectiveness and avoiding unauthorised, irregular or fruitless and wasteful expenditure.
Official	Means a person in the employ of the department
Chief Financial Officer	The person designated to assist the Accounting Officer in discharging the duties prescribed in Part 2 of Chapter 5 of the PFMA and the DORA.
DORA	Means Division of Revenue Act
SCOA	Means the standard chart of accounts

1. Policy overview

The objective of this policy is to ensure that all payments are valid, authorized, supported by appropriate source documents, correctly classified and correctly accounted for.

2. Purpose

The policy aims to ensure that internal procedures and internal control measures are in place for payment approval and processing. Prior to any payment being processed internal controls must provide reasonable assurance that all purchases are necessary, appropriate, paid promptly and are adequately recorded and reported.

3. Policy development areas

- Approval of expenditure
- Compensation of employees
- Transfers and subsidies
- Division of Revenue Grants
- Criteria for expenditure
- Other allocations to municipalities
- Recovery, disallowance and adjustment of payments
- Categories of payments (Classifications)

4. Policies

4.1 Approval of expenditure

4.1.1 An official may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the Accounting Officer or a properly delegated or authorised officer.

4.1.2 Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorisation.

4.1.3 Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of a valid invoice or, in the case of civil claims, from the date of settlement or court judgement.

4.1.4 The Chief Financial Officer must ensure that proper segregation of duties relating to the approval and processing of payments is in place.

4.1.5 The personnel, salary system functionalities and accounting system functionalities must be set up in such a way to provide for adequate segregation of duties.

4.1.6 Officials compiling payment requests may not authorise or counter- sign payment requests.

4.1.7 Only written authorisation to incur a financial liability may be accepted.

4.2 Compensation of employees

4.2.1 Activities relating to the authorisation of appointments, the authorisation of payments and the recording of those payments may not be performed by the same person.

4.2.2 The Accounting Officer must ensure that the costs related to compensation of employees, as well as promotion and salary increases can be met within the budgetary allocation of the Department.

4.2.3 The Programme manager/ Paymaster must certify on the date of payment that all listed on the payroll report are entitled to payment.

4.2.4 Within ten days of being certified, the payroll report must be returned to the Chief Financial Officer. The delegated official must ensure that all pay-point certificates have been received on a monthly basis.

4.3 Transfers and subsidies

4.3.1 The delegated official may withhold transfers and subsidies to an entity if he or she is not satisfied that:

- Conditions attached to the transfer and subsidies have not been complied with;
- Financial assistance is no longer required;
- The agreed objectives have not been attained and
- The transfer and subsidy does not provide value for money in relation to its purpose or objectives.

4.4 Recovery, disallowance and adjustment of payments

4.4.1 Amounts charged to voted funds, which are recovered in the financial year in which payment was made, shall on or before the closing of books of that financial year, be allocated to the main division that was originally debited.

4.4.2 Amounts which are recovered after the closing of books of a financial year shall be paid to the revenue fund, provided that such amounts have not been allocated to a suspense account during the financial year in which payment was made.

5. Criteria

5.1 The following criteria must be used to determine expenditure may be incurred:

- A genuine requirement exists to expend funds on particular goods and services;
- All relevant supply chain prescripts have been adhered to and
- Funds are available (and appropriated for that purpose).

6. Process development areas

- Dealing with payments and vouchers
- Certification of payments
- Transfers and subsidies
- Contractual/Initial payments
- Outsourced services
- Prepayments
- Errors
- General

- Supporting documentation
- Administration of cash payments
- Authorisation of payments
- Late payments
- Overpayments relating to suppliers and / or individuals

7. Processes

7.1 Dealing with payments and vouchers

7.1.1 Payment requests may only be affected on the prescribed forms.

7.1.2 The delegated official must make suitable arrangements to ensure that all claims payable are received within a reasonable period in order to preclude claims from being submitted long after services have been rendered. (Ref to par. 4.2.2)

7.1.3 Where a claim, account or invoice cannot be obtained timeously in order to expedite payment so as to take advantage of any permissible discount, the voucher for such payment may be supported by a certificate from a duly authorised employee to the effect that the supplier is, in terms of a contract, tender, quotation or agreement entitled to the payment indicated on the payment voucher. The outstanding document must be requested and attached to the payment voucher.

7.1.4 The delegated official must ensure that all claims, accounts or invoices presented for payment have not already been paid. This shall be accomplished by cancelling each invoice (with a "paid" stamp or by recording the payment details on the invoice).

7.1.5 All claims, accounts or invoices accepted must be processed for payment on a timely basis. Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of valid invoice, or in the case of civil claims, from the date of settlement or court judgement. The delegated official shall take care that payments for services rendered and supplies delivered under contract are in accordance with the conditions of the contract.

7.1.6 Monthly accounts and invoices from suppliers must on a timely basis be reconciled to the records of the Department and if there is a discrepancy the matter shall be taken up in writing with the supplier concerned.

7.1.7 Prior to a payment being made, the delegated official checking the voucher for payment must ensure that the appropriate requirements have been complied with and that the claim is:

- A proper charge against State monies and has not already been paid;
- In accordance with a law, regulation, tariff or agreement or that it is fair and reasonable;
- Certified for payment by a duly authorised person;
- Covering the correct period;
- Calculated correctly;
- Supported, where applicable, by the necessary documents or an explanation in writing of their absence;
- Funds are available.

7.2 Certification of payment/Authorisation of payments

7.2.1 Only duly authorised officials who have actual knowledge of the supplies or services received shall give certificates in support of payment requests. An official furnishing an inaccurate certificate as a result of which an irregular payment or overpayment is made may be liable for any loss or damage suffered by the Department. If for any reason a certificate is found to be defective, or if there are reasonable grounds for doubting its accuracy, the relevant document shall be returned to the official who certified it, who shall make and initial any necessary amendments.

7.2.2 The following shall be certified (by means of a stamp or a written statement on the invoice) in relation to supplies, services and claims:

Supplies:

- That the supplies were required for official purposes and prior approval has been obtained to purchase the supplies;
- That the supplies were verified on receipt, in good condition and that the receipt of the supplies was entered in the records; and
- That the rates used are in accordance with a contract or that they are fair and reasonable and that the supplier is entitled to payment.

Services rendered:

- That the services rendered were necessary for official purposes and prior approval has been obtained to acquire the services;
- That the services were satisfactorily carried out,
- That the charges are according to the relative tariff, contract or agreement, or otherwise are fair and reasonable, and that the supplier is entitled to payment.

7.3 Transfers and subsidies

7.3.1 Before a payment for a conditional grant can be made it must be supported by a "compliance certificate" indicating at least the following:

- Those conditions attached to the transfer or subsidies have been complied with;
- Financial assistance is required;
- The transfer or subsidy provides value for money in relation to its purpose or its objectives.

7.4 Contractual/Initial payments

7.4.1 An initial or progress payment in terms of a contract or written agreement shall not be considered an advance, but shall be brought into account as a direct charge against the applicable programme, and a request for such payment must:

- Reflect the total amount payable in terms of the contract or agreement;
- Reflect the total payments to date, including the payment being made by the voucher;
- Reflect the balance due; and
- Be supported by a certificate from a duly authorised employee that the supplier is entitled to the payment in terms of the contract or agreement.

7.5 **Outsourced services**

7.5.1 Where professional consultants supervise and or exercise control over specific work contracted out, a certificate that a progress payment has become due, under the contract, may be accepted from such consultants for the purpose of payment.

7.5.2 Any final payment upon the completion of a contract shall, in addition to the certificate referred to in the previous paragraph, be supported by a certificate from a duly authorised employee that the terms of the contract have been properly complied with in every respect.

7.5.3 A contract or agreement may not be altered to the disadvantage of the Department without the approval of the Accounting Officer.

7.6 **Pre-payments**

7.6.1 Where payment is required for the registration for a course or seminar such a payment may be effected before the actual completion of the course. The employee or a duly authorised employee participating in the course or seminar should certify the invoice before the payment is made or on his/her return.

7.7 **Errors**

7.7.1 If an error or overcharge is made on an invoice or claim or if such invoice or claim contains an item which is not acceptable as a charge against departmental monies, or if a payment voucher differs from the account submitted, the suppliers must be notified and requested in writing to effect the necessary changes without the invoice or claim being processed.

The said invoice to be excluded from the invoice tracking register of valid invoices and captured in the separate register until resolved.

7.8 **General**

7.8.1 Ensure that the payment voucher comprise sufficient detail, of the payment to ensure that the expenditure can be identified should the requisitions, invoices or statements become detached or removed.

7.8.2 All claims shall be examined and if in order, paid as soon as possible and no payment shall be delayed with the object of avoiding excess expenditure on a main division or a vote.

7.8.3 Officials making payments shall satisfy themselves that the representatives concerned are duly authorised by power of attorney or other proper authority to receive such payments. (Payments may only be made to persons or institutions to which the money is due, or may only be transferred to the person or institution's bank account to which the money is due i.e. the person or institution that issued an invoice and / or a claim).

7.9 **Supporting documentation**

7.9.1 Only original tax invoices may accompany requests for payments.

7.9.2 Should the original tax invoice or payment batch be misplaced the official requesting payment should obtain a "copy" tax invoice from the relevant service provider or supplier. This copy invoice should be certified "copy of original" by the supplier and employees making payments should ensure that the payment has not been effected previously and endorse the payment as follows:

"Original invoice misplaced - not previously paid". The respective official shall sign and date the endorsement and attach proof of non-payment.

7.9.3 Pro-forma invoices to be allowed to accompany requests for payments only on suppliers that issue original tax invoices after receiving monies, e.g. Post Office, Municipalities for roadworthy tests.

7.10 **Administration of cash payments**

7.10.1 Cash on delivery requests are not allowed and the official requesting supplies or services must make the necessary arrangements before any supplies or services are requested.

7.11 **Delegation of authority**

7.11.1 The delegation of authority must be per approved delegations.

7.11.2 Heads of divisions must inform the Chief Financial Officer of such authorisation, accompanied by specimen signatures.

7.12 **Late payments**

7.12.1 In order to maintain the credibility of the Department, the delegated official should implement and maintain an effective and efficient system to monitor invoices and payments in order to prevent late payments.

7.12.2 Should a late payment be detected, the official's supervisor must investigate the reasons for the late payment and implement corrective steps to prevent future late payments.

7.12.3 Where late payments occur continuously, the supervisor, in consultation with the Chief Financial Officer, should, where necessary, initiate disciplinary steps against such an employee and any losses incurred by the Department must be recovered from such an employee.

7.13 **Overpayments relating to suppliers and / or individuals**

7.13.1 Any overpayment shall immediately be brought to the attention of the delegated official/supplier.

7.13.2 The supervisor of the applicable section should investigate the circumstances for such an overpayment and implement corrective steps.

7.13.3 Recovery of overpayments shall be dealt with in terms of the policy on debt management.

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