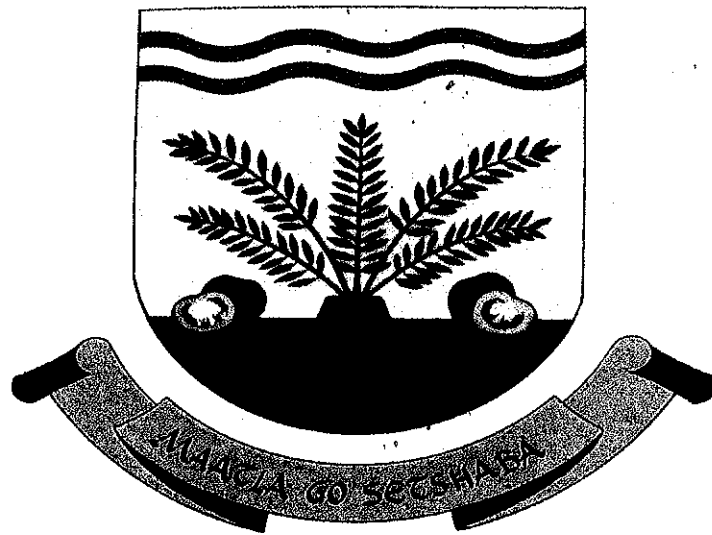


GREATER LETABA MUNICIPALITY



PROVISIONS POLICY

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1. PURPOSE AND OBJECTIVE OF THE POLICY

The purpose and objective of this policy is to set clear guidelines for the control and accounting of provisions.

The objective of this policy is further to:

- Implement accrual accounting in terms of prevailing accounting standards and accounting policies as disclosed in the annual financial statements ;
- Ensure up to date provisions general ledger control accounts and accurate reporting of financial information.

2. BACKGROUND

2.1. Accounting standards

The Municipal Finance Management Act requires municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice.

The accounting for and disclosure of provisions is accounted for in the financial statements in accordance to stipulations and guidelines of inter alia GRAP 25 and GRAP 19.

2.2. Types of provisions

1.1 Provision for the rehabilitation of the landfill site

It is expected of the Municipality to comply with the relevant environmental legislation and rehabilitate of the municipal landfill site when it has reached maturity (The Municipality does not operate any landfill site).

1.2 Provision for long service awards

It is expected of the Municipality to cumulatively provide for the long service awards of officials of the Municipality in accordance to the stipulations of GRAP 25.

1.3 Provision for post-employment medical aid benefit liabilities

It is expected of the Municipality to cumulatively provide for post-employment medical aid liability of officials of the Municipality. This provision considers all in services employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy,

3. VALUATION, APPOINTMENT OF CONSULTANTS AND UPDATING AND CONTROL

3.1. Valuation

3.1.1 Landfill site rehabilitation provision

3.1.1.1 The cost estimate to rehabilitate the Municipality's landfill site must be determined at the end of each financial year.

3.1.1.2 The annual rehabilitation cost estimate must be determined by specialist with the relevant skills and experience.

3.1.1.3 The valuation must be determined utilising one of the following methods:

- Appointing of a consultant (individual or company) through normal supply chain management processes to perform a detailed calculation of the landfill site rehabilitation provision at year-end; or
- Obtaining of quotations from specialist (individual or company) through normal supply chain management processes to provide a cost analysis of the expected liability should the landfill site be rehabilitated at year-end.

3.1.1.4 The Director – Finance to decide on the method to be used and the method should as far as possible be consistent with that of the previous year.

3.1.1.5 Where the second option is decided upon (supplying of quotes to rehabilitate), the Director - Finance must from the quotations received determine the value of the provision to be disclosed on the financial statements.

3.1.2 Long service award liability

3.1.1.1 The cost estimate of the Municipality's long service award liability must be determined at the end of each financial year.

3.1.1.2 The annual liability cost estimate must be determined by specialist with the relevant skills and experience.

3.1.1.3 The valuation must be determined utilising the following method:

- Appointing of a consultant (individual or company) through normal supply chain management processes to perform a detailed calculation of the long service award liability at year-end

3.1.3 Post-employment medical aid liability

3.1.1.1 The cost estimate of the Municipality's post-employment medical aid liability must be determined at the end of each financial year.

3.1.1.2 The annual liability cost estimate must be determined by specialist with the relevant skills and experience.

3.1.1.3 The valuation must be determined utilising the following method:

- Appointing of a consultant, (individual or company) through normal supply chain management processes to perform a detailed calculation of the post-employment medical aid liability at year-end.

3.2 Appointment of experts and valuer

3.2.1 The appointment of consultants to perform the annual or requesting for quotations must be finalised by the end of the financial year following normal supply chain management processes.

3.2.2 The specialist appointed to perform the annual liability calculations or submit quotations must be granted full access to premises, employees and information to accurately determine the values of the various liabilities.

3.2.3 All information required for perform the annual calculations must be supplied to the specialists by officials by not later than 15 July of each year.

3.2.4 Specialists appointed must submit detailed valuations or quotations by not later than the end of July of each year.

3.2.5 The Director-Finance is responsible to ensure the following:

- External specialists are appointed or quotations obtained by the set deadline dates;
- Information required is submitted to the external specialists by the set deadline dates;
- Valuations is obtained from the external specialists by the set deadline dates.

3.2.6 The Director-Finance or delegated assistant director must ensure the completeness and accuracy of all information supplied to external specialists.

3.3 Updating and control

3.3.1 The Financial Director or delegated assistant director must review and ensure completeness and accuracy of the valuations submitted by external specialists.

Shortcomings detected must be taken up with the appointed specialists before the general ledger is updated.

- 3.3.2 The Assistant Director: Expenditure, Budget and Reporting must update the financial system of the Municipality with the information received from the specialists by not later than the 10th day of August of each year.
- 3.3.3 The Assistant Director: Expenditure, Budget and Reporting must generate detailed financial statement disclosure supporting working papers and file such working papers in the year-end audit file.
- 3.3.4 The Director-Finance must review the year-end lead sheets and supporting balances and ensure that the closing balances agree to the final year-end trail balance and financial statements.
- 3.3.5 The Director- Finance must report to the Municipal Manager on the provision balances

4. REFERENCES

The following references were observed in compiling this document:

- Municipal Finance Management Act, 2003, MFMA,
- MFMA Latest Circulars,
- Supply chain management legislation and policy,
- Standards of GRAP,
- Municipal System Act .

5. RELATIONSHIP WITH OTHER POLICIES

This policy must to be read in conjunction with other relevant policies of the Municipality, including the following adopted documents:

- 5.1 Supply Chain Management policy
Process to be followed to appoint external experts and obtain quotations.

6. POLICY AMENDMENTS, APPROVAL AND IMPLEMENTATION

- 6.1 Policy amendments

Request for changes to this policy must be done in writing and must be submitted to the Municipal Manager for review and authorisation.

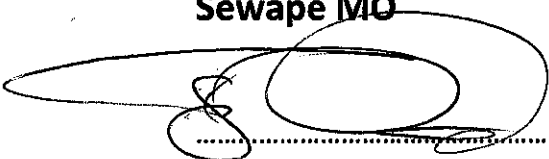
In addition to the above, the policy should be reviewed at least bi-annually to ensure that its stipulations still apply and are in accordance with the Municipality's personnel structure and procedure manuals.

6.2 Policy approval Changes to this document shall only be applicable if approved by Council. Therefore any changes made to the policy based on requests received or through the bi-annual review must be submitted to Council for approval.

6.3 Policy implementation
The effective date for the implementation of the updated document will be the date as approved by Council.

Municipal Manager

Sewape MO

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.