

CITY OF MATLOSANA



2% CORPORATE SOCIAL RESPONSIBILITY POLICY

2024/2025

THE CITY OF MATLOSANA:

2% CORPORATE SOCIAL RESPONSIBILITY

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1. PREAMBLE

The CSR levy safeguards accountability and commitment from those service providers that are benefiting from City of Matlosana through successful tendering to contribute towards the social responsibility of our community. City of Matlosana is committed to the highest ethical standards of good corporate governance practices that are evident in all our business processes.

King IV Report emphasizes the importance of social responsibility as being critical to good corporate governance and City of Matlosana is embracing a credible methodology by creating a CSR Fund in terms of this Policy.

Throughout the year's city of Matlosana has contributed significantly to the development of its communities and have been carrying these social responsibility costs alone. We have since devised a methodology where all service providers who have benefited from our tender processes, are contributing 2% of all payments above R 300 000 made to them to the social responsibilities of our community.

The CSR Funding may not be utilized for any Municipal Service Delivery activities or programs, strictly only for community activities and projects.

2. PURPOSE

The purpose of this policy is to ensure that all service providers who are benefiting from our tender processes, are held accountable and socially responsible to contributing to the Executive Mayor's 2% CSR Fund and passing on this benefit to the broader community of City of Matlosana.

- 2.1.** To ensure that the CFO be responsible and accountable for the allocation, safeguarding, and record-keeping of all transactions into and out of the CSR Account.
- 2.2.** To create and maintain a separate banking account for the CSR Fund.
- 2.3.** To ensure all income and expenditure from the CSR account are recorded and that monthly reconciliations are performed.
- 2.4.** To ensure that all tenders awarded to Service Providers with a rand value above R 300 000 are contributing to the 2% CSR Fund.
- 2.5.** To outline procedures to manage the CSR fund expenditure and income.

3. ACRONYMS/ABBREVIATIONS

Except if stated otherwise in this policy, the following abbreviations or acronyms will represent the following words:

“Policy”	=	Policy on 2% Corporate Social Responsibility Fund
“CSR”	=	2% Corporate Social Responsibility
“IDP”	=	Integrated Development Plan
“CoM”	=	City of Matlosana
“MM”	=	Municipal Manager
“CFO”	=	Chief Financial Officer
“EM”	=	Executive Mayor
“SCM”	=	Supply Chain Management
“VAT”	=	Value Added Tax

4. APPLICATION OF THIS POLICY

This policy applies to all Officials and Councillors of City of Matlosana and all Service Providers who have been awarded a tender through our SCM tender processes upon awarding of the tender.

5. CITY OF MATLOSANA FOCUS AREA

City of Matlosana CSR activities cover the following areas:

5.1. Education

Education is important in the development of our society, particularly the youth. CoM recognizes the critical role that education plays in the transformation of South Africa as a country and our goal is to make it possible for more and more youth to enter into tertiary education. CoM has been contributing to the funding of the education of our community by providing bursaries to the youth on an annual basis, through the Executive Mayor’s Bursary Policy.

5.2. Socio-economic development

City of Matlosana has been involved in socio-economic development throughout and some of the areas that City of Matlosana will continue to support are health and any bodily deformities, promotion of job creation, the elimination and eradication of poverty, indigence support programmes, and community safety programmes.

5.3. Sports, Recreation, Arts and Culture

Sports, Recreation, Arts and Culture is part of the soul of our country and the history of our nation, City of Matlosana recognizes this and will continue to support the arts, culture, sports, and recreational values of our community.

5.4. People living with disability

City of Matlosana 2% Social Responsibility Policy would also provide funding to procure wheelchairs, artificial limbs for the Disabled, and help in any form of funding alternations to their homes and motor vehicles, etc to the disabled persons, who is someone who has a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day to day activities. A person is disabled if they have a mental or physical impairment.

5.5. Other CSR Initiatives

City of Matlosana will actively identify other areas for involvement and funding depending on the nature of the needs identified and their benefit to society, especially our rural and peri-urban communities. During public participation roadshows, the Municipality will also take recommendations from local communities and businesses on worthwhile initiatives to which the CSR fund could be a benefit.

Also, the Executive Mayor of City of Matlosana may decide on any other community development social responsibility programs that he may think would benefit the community.

6. ESTABLISHMENT OF A CORPORATE SOCIAL RESPONSIBILITY (CSR)

COMMITTEE

A Committee to oversee the administration of the Fund will be established in terms of this policy when the Municipality has received any requests from the Community, or from the Executive Mayor for funding for any of the above-mentioned social responsibility activities. Every member will operate entirely unbiased and independently, and with the highest due care and skill particularly when it comes to decision making in terms of "How" and "to Whom" and "When" and "How much" will be funded by the CSR fund. No single committee member will have the authority to take a unilateral decision in terms of the spending of the CSR fund but the entire committee would decide to consider, approve and monitor all the activities funded through the CSR fund by the Municipality.

6.1. The responsibility of the Committee will include the following:

- Ensure a standing item on the Executive Mayor's IDP/Budget Roadshow so that the community is aware of the CSR Fund and what they could expect from the Fund.
- The identification of worthy causes for funding and/or support.
- The assessment of requests received for funding or support from our communities.
- Consider, approval, and funding of social responsibility projects.
- Follow-up and monitoring of projects or initiatives that have been funded.

- Ensure all CSR levies excluding the 15% VAT raised are deposited into the CSR banking account as soon as possible.
- Meeting as and when to consider and approve and monitor CSR funding when there are social responsibility activities to consider, approve, and to monitor the fund and to give consideration and recommendation on the funded CSR initiatives.
- To ensure that the municipality includes in its annual budget sufficient provision for the CSR projects for that financial year to be funded from the CSR fund.
- To ensure that the 2%CSR Funding are never to be utilized to fund service delivery projects and programs of the Municipality.
- Reporting to the Mayoral Committee of City of Matlosana on an as and when basis when payments have been made from the Fund Account.

6.2. The composition of the Committee shall be as follows:

- The MMC: Finance (Chairperson)
- The Executive Mayor or his / her Nominee,
- The MMC: Community Development Services,
- The MMC: Sports, Recreation, Arts and Culture,
- Director: Corporate Support,
- Deputy Director: Sports, Recreation, Arts and Culture,
- Director: Community Development Services
- The Chief Financial Officer
- Deputy Director: Revenue and Expenditure

6.3. The role of the Committee shall be as follows:

- 6.3.1. The CSR Committee will meet quarterly or on an *ad-hoc* basis depending on urgent project proposals to be considered.
- 6.3.2. The quorum of the Committee for meetings will be at least four members.
- 6.3.3. The Committee will consider, approve, and monitor all CSR programs/project proposals.

6.3.4. The Committee will review and adjust this funding consideration level from time to time.

6.4. Reporting to the Mayoral Committee quarterly

The role of the Executive Mayor or his / her nominee with respect to the corporate social responsibility fund will include the following:

- To ensure that City of Matlosana shows outstanding performance in the area of corporate social responsibility in line with any CSR Committee business plan and this policy.
- To submit a directive for corporate responsibility spending.
- To monitor social responsibility activities as contained in the quarterly social responsibility report.
- Decision-Making Criteria for Funding - The project proposals and/or programs selected or approved for funding by the CSR Committee must be in line with the focus areas identified above; and / or aligned with relevant Municipal legislation and City of Matlosana's corporate social responsibility strategy.

7. CSR FUNDING AND BUDGET

7.1. CSR Program Funding

7.1.1. City of Matlosana will make provision for the Corporate Social Responsibility in the budget on an annual basis to support all approved projects.

7.1.2. City of Matlosana's CSR budget will be based on and limited to the available amount in the CSR banking account and the approved proposals.

7.2. Steps identified for funding of CSR programs and projects

The funding of CSR projects approved by the CSR Committee will be funded entirely from the CSR Fund in line with the focus areas stated above and as per the proposals received from various stakeholders. The Municipality will follow the steps identified below for funding of corporate social responsibility projects and programs:

7.2.1. Proposals received from communities, individuals, or organizations, or proposals identified within the Municipality.

7.2.2. All proposals for CSR funding except those identified through public participation meetings should be submitted formally to the CSR committee through Director: Corporate Services.

8. APPROVAL PROCEDURE

- Step 1:

The Executive Mayor's / The Executive Mayor's Nominee prepares the funding proposal report according to the prescribed format and tables the Report in the Corporate Social Responsibility Committee for discussion and consideration.

- Step 2:

The CSR Committee considers, approves and / or rejects the proposal. If a proposal is rejected, the CSR Committee will record the reasons for the rejection.

- Step 3:

If a proposal is approved, the CSR Committee will allocate funds to the project after the necessary agreements have been signed with the relevant beneficiary organization or individuals.

- Step 4:

The Executive Mayor's / The Executive Mayor's Nominee will make arrangements with Budget and Treasury for the disbursement of the funds to the project and preparing a payment requisition and attaching the approved proposal, the signed minutes of the meeting of the CSR committee where the funding proposal was considered and approved, and the original invoices and quotations where applicable and any other documents that are deemed necessary in support of the payment and submit all signed. Approved Payment Requisition with all its supporting documentation to Expenditure Section for the processing and release of the payment to the respective recipients.

9. MONITORING IMPLEMENTATION

- 9.1. The CSR Committee continuously monitors projects that are being funded by City of Matlosana.
- 9.2. Director: Corporate Support is to ensure that proper reporting on the CSR project proposals and programs are made to the CSR Committee on a quarterly basis.

10. APPLICABILITY OF THE CSR LEVY

10.1. Definition of "Matlosana Based Service Provider"

The service provider from which the goods and services are being procured must be located within the City of Matlosana jurisdiction. This includes a service provider whose head office may be situated elsewhere but has established, a fully-fledged branch within this municipal jurisdiction. A copy of the rental / lease agreement and a copy of the City of Matlosana Municipal consumer service account, in the name of the service provider must be provided to the SCM Unit when a successful tender was awarded to them.

10.2. Advertisement of bids by The Supply Chain Management (SCM) Section

The Supply Chain Management (SCM) Section is obliged to ensure that all advertisements for prospective service providers and suppliers for goods or services more than R200 000 in value must specify that a 2% CSR levy including 15% VAT will be charged if the successful service provider or supplier is not a Matlosana Based Service Provider as defined in clause 10.1 above.

The SCM Section is further obliged to ensure that its tender documents contain a provision that a 2% CSR levy including 15% VAT will be charged if the successful service provider or supplier is not a Matlosana Based Service Provider as defined in clause 10.1 above.

The SCM Section will ensure that all Tenders ceded or sub-contracted to successful service providers must contribute a 2% CSR levy including 15% VAT on all payments made to them.

10.3. Contracts/Awards to which the 2% CSR levy including 15% VAT will apply

10.3.1. The payment of the 2% CSR levy, including 15% VAT will apply to all payments made in terms of contracts awarded through an official bidding process to all non- City of Matlosana based service providers and suppliers as defined in clause 10.1 above provided that the award is for procurement of goods and services more than R200 000.

10.3.2. The payment of the 2% CSR LEVY, including 15% VAT shall also apply to all contracts awarded in terms of section 36 of the SCM Policy of City of Matlosana to all non- City of Matlosana based service providers and suppliers as defined in clause 10.1 above provided that the award through deviation is for procurement of goods and services in excess of R200 000.

10.3.3. Any payments made to a service provider where a tender was ceded or sub-contracted to him/her and the service provider must contribute a 2% CSR levy including 15% VAT on all payments made to him/her.

10.3.4. It is the responsibility of the Department who requests appointment of a non-City of Matlosana based service provider in terms of Section 36 of the SCM policy of City of Matlosana to ensure that the prospective service provider is aware that a 2% CSR levy including 15% VAT will apply if they are appointed for procurement of goods and services in excess of R200 000, furthermore, the deviation report, as well as the appointment letter submitted to the Municipal Manager for approval of the appointment, should contain a recommendation for the 2% CSR levy including 15% VAT to be deducted.

11. CSR ADMINISTRATION PROCESS

11.1. The Expenditure Section requests certain (see clause 11.3 below) documents from the Supply Chain Management Section prior to processing payments to service providers appointed in terms of a tender process.

- 11.2.** Where a service provider was awarded a tender, the appointment documents listed below will indicate that a **2% CSR** levy which includes 15% VAT is to be deducted from payments to be made to that service provider.
- 11.3.** The following documents, therefore, serve as an instruction to the Expenditure Section to withhold, where applicable, the **2% CSR** levy, including 15% VAT from payments to service providers awarded tenders:
- 11.3.1. The approved Bid Adjudication (BAC) Report.
 - 11.3.2. The appointment letter.
 - 11.3.3. The signed service level agreement (SLA) where applicable.
 - 11.3.4. The signed Tender document where the tender is to be used as the Service Level Agreement (SLA).
- 11.4.** The processing of the CSR levy is done as follows for our Trade creditors:
- 11.4.1. For trade creditors processed through the Stores section, the Accountant: Creditors responsible for that creditor's account compiles a payment requisition (using a red ink pen) where the 2% CSR levy and the 15% VAT applicable on all the invoices that have been submitted by Stores Section for reconciliation and payment for a specific creditor will be captured.
 - 11.4.2. The payment requisition is captured in red pen as an instruction to the Data Capturer to Debit that creditors account and credit the Social Responsibility Fund account in the general ledger and debit the 2% CSR Levy with 15% VAT and Credit Output VAT with 15% VAT with the amount levied on the creditor.
 - 11.4.3. The reconciliation will then be compiled indicating all invoices to be paid as well as the CSR levies including 15% VAT to be deducted as captured on the system.
- 11.5.** The processing of the CSR levy is done as follows for our Sundry creditors:
- 11.5.1 The Accountant Creditor responsible for that creditor's payment requisition will add two entries (using a red ink pen) on the payment requisition for the CSR levy which includes 15% VAT to be deducted from the payment to the service provider.

- 11.5.2 The invoice details contained on the payment requisition as well as the CSR levy including 15% VAT reflected on the payment requisition will then be captured by the Data Capturer. The CSR levy including 15% VAT is captured in red ink on the requisition as an instruction to the Data Capturer to Debit that creditors account and Credit the Social Responsibility Fund account and debit the 2% CSR Levy with 15% VAT and Credit Output VAT with 15% VAT in the general ledger with the amount levied on the creditor.
- 11.5.3 Upon payment of the invoices due to a service provider to which the CSR levy applies, 2%, including 15% VAT thereof will then be withheld.
- 11.5.4 All unused CSR funds excluding 15% VAT will be invested in an interest-bearing call account by Budget & Treasury Section.
- 11.5.5 All interest received on invested funds per clause 11.5.4 or interest received on surplus funds in the CSR bank will be classified as CSR funding and will also be accounted for together with the CSR levies as prescribed in this policy.
- 11.5.6 All bank charges incurred on the CSR bank account will be accounted for as CSR expenditure and will be charged to the CSR fund account.
- 11.5.7 On a monthly basis an electronic reconciliation of the invoices received from service providers who contribute to the CSR fund is performed. The reconciliation is done to verify:
- i That 2% CSR levy including 15% VAT has been withheld from every payment where it applies,
 - ii The total CSR general ledger account balances with the CSR bank control account,
 - iii That expenditure from the CSR fund is accounted for correctly,
 - iv That interest received on CSR funds and bank charges on the CSR bank account is correctly accounted for per clauses 11.5.4, 11.5.5, and 11.5.6 above, and
 - v That a transfer is done from the City of Matlosana operational bank account to the CSR bank account to balance all amounts withheld from creditors in that month.

12. VALUE-ADDED TAX ON THE 2% CORPORATE SOCIAL RESPONSIBILITY LEVY

- 12.1.** In terms of the Value-Add Tax Act No. 89 of 1991, the 2% CSR Levy is deemed to be a taxable supply in the hands of the Municipality and therefore must be taxed at 15%.
- 12.2.** The 2% CSR Levy is, therefore, inclusive of 15% VAT.
- 12.3.** The 15% VAT must be paid over to SARS monthly.

13. EVALUATION, MONITORING, AND REPORTING

- 13.1.** Continuous evaluation, monitoring, and reporting of the CSR initiatives by the CSR Committee will provide evidence of performance, success stories, and areas requiring attention.
- 13.2.** Reporting on CSR activities will demonstrate to the Executive Mayor and other interested stakeholders the progress the Municipality has made with respect to the 2% CSR Fund that makes City of Matlosana a good corporate governance citizen for complying with this Policy. This will also allow for feedback and hence continuous improvement.
- 13.3.** City of Matlosana will not be involved in the management of the projects that the Municipality supports, however, the recipients will be expected to provide quarterly reports on overall CSR project management and implementation.
- 13.4.** A stakeholder management approach will be followed in the implementation of City of matlosana's CSR program.

14. COMMENCEMENT

This Policy takes effect on 1 July 2023.