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THABACHWEU LOCAL MUNICIPALITY

# CREDITORS PAYMENTS AND ADMINISTRATION

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Policy





Thabachweu Local Municipality

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## **CREDITORS PAYMENT POLICY**

### **STATUTORY FRAMEWORK**

The Municipal Manager must in terms of section 65 (2) of the MFMA for the purpose of giving account of the discharge of her/his responsibilities in respect of expenditure management take all reasonable steps to ensure —

- (a) that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
- (b) that the Municipality has and maintains a management, accounting and information system which recognises expenditure when it is incurred, and which accounts for creditors of and payments made by the municipality;
- (c) that the Municipality has and maintains a system of internal control in respect of creditors and payments;
- (d) that payments by the Municipality are made directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed and either electronically or by direct deposit. No cash payments, payments by way of non-transferable cheques may be made.
- (e) that all money owing by the Municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise by the Minister of Finance in terms of a regulation for certain categories of expenditure;
- (f) that the Municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
- (g) that any dispute concerning payments due by the Municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;
- (h) that the Municipality's available working capital is managed effectively and economically in terms of the cash management and investment policy of the municipality and within the framework prescribed by the Minister of Finance and the :
- (i) that the Accounting Officer take all reasonable steps according to the MFMA Act No. 56 of 2003 sec5 (2) to ensure expenditure management



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### 1. OBJECTIVE OF THE POLICY

The objective of this policy is to have a standard payment system in place with clear objectives regarding payment policies and dates which objectives are measurable in terms of customer service.

### 2. LEGISLATION

In terms of section 60 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA), the Municipal Manager is deemed to be the accounting officer of the municipality. This policy fulfills the responsibilities of the accounting officer in terms of section 65 (2) of the MFMA which requires the accounting officer to take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.

### 3. PAYMENT TO CREDITORS/SUPPLIERS

- 3.1** The Chief Financial Officer shall ensure that all contracts awarded by the Municipality stipulates payment terms that are favourable to the Municipality. As far as possible, payment should fall due not sooner than 30 days from the invoice date, unless –
- (a) There are financial incentives for the Municipality to effect the earlier payment, or
  - (b) In the case of small, micro and medium enterprise, this policy may cause financial hardship to the supplier in which case payment may be effected at the end of the month during which the service is rendered, goods supplied or work executed.
- 3.2** No payment for the provision of a service, the supply of goods or the execution of work shall be processed unless an original supplier invoice containing a reference to the purchase order and such other relevant information as the Chief Financial Officer may determine, has been received and provide proof of receipts.
- 3.3** Supplier invoices processed for payment shall be certified to represent goods received, service rendered or work executed in a manner and to a standard acceptable to the relevant department head and where applicable, the relevant contract manager or according to contract.
- 3.4** Supplier invoice shall be submitted to creditors' office, any invoices submitted to other department shall be forwarded to creditors' office
- 3.5** Where possible, payment shall be effected by means of electronic transfer rather than by Cheque. The Municipal Manager shall prescribe such procedures and measures as may be reasonably necessary to ensure that the banking details supplied by the creditors who request payments by the Municipality to be made by Electronic transfer into the relevant creditors' bank account are correct.



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- 3.6** Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the Chief Financial Officer determines that there are financial incentives for the municipality to do so.
- 3.7** All payments shall be made through the Municipality's Bank Account.
- 3.8** The Chief Financial Officer shall –
- (a) draw all cheque and effect Electronic Transfer on the Municipality Bank Account
  - (b) in consultation with the Municipal Manager determine –
    - (i) procedures relating to signing of cheques, EFT and
    - (ii) appropriate signatories for approval of payments
- 3.9** All requests for payments of whatever nature shall be submitted on payment voucher/batch, the format of which shall be determined by the Chief Financial Officer. Such voucher/batch shall be authorised in terms of such procedures as are determined from time to time by the Chief Financial Officer and shall be accompanied by such supporting documents as the CFO may determine.
- 3.10** In respect of all other service providers/suppliers the thirty (30) day payment policy will prevail,
- 3.11** The Municipality should empower the SMME's and also ensures that all invoices of the aforesaid suppliers are honoured and be paid within fifteenth (15) days of receiving the relevant invoice or statement.

## 4. CESSIONS AGREEMENTS AND 3<sup>RD</sup> PARTY PAYMENTS

- 4.1** That only one cession be allowed per Contract
- 4.2** That cessions be approved only on the supply of raw materials directly related to the project and not on the services
- 4.3** Cessions will be limited to a maximum of 30% of the total contract.



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Version Control

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