



**FINAL DRAFT**

**CREDITORS, COUNSILORS AND  
PERSONNEL PAYMENT POLICY**

**FINAL DRAFT - ANNUAL BUDGET OF**

**Bitou Municipality**

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## **A. POLICY OBJECTIVE**

The objective of this policy is to provide standard procedures relating to payments due to creditors, councillors and personnel of Bitou Municipality from municipal funds.

## **B. LEGISLATIVE REQUIREMENTS**

In terms of section 65 of the Municipal Finance Management Act, Act 56 of 2003, the Municipal Manager as an Accounting Officer of the Municipality is responsible for the management of the expenditure of the municipality and, to this end, must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds.

The municipality must, when it approves the annual budget for each year, also approve a cash flow projection for the year by revenue source broken down per month in terms of section 17(3) (c) of the MFMA. The municipality's Service Delivery and Budget Implementation Plan (SDBIP) must contain revenue and expenditure projections for each month as required by section 53 (3) (a) of the MFMA. The Municipal Manager must ensure, in terms of section 54 (1) (d) of the MFMA, that spending of funds and revenue collection proceeds according to the budget.

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 transferable and/or cash cheques may be made;

- (e) That all money owing by the municipality be paid within 30 days of receiving the relevant invoice and/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;
- (i) That the Accounting Officer takes all reasonable steps, according to the MFMA Act No. 56 of 2003 sec 5 (2), to ensure that expenditure management of all financial accounts of the municipality are closed at the end of each month and reconciled with its records.

### C. DEFINITIONS

In this policy –

“Act”	Means the Local Government: Municipal Finance Management Act, 56 of 2003;
“Accounting Officer”	means the Municipal Manager;
“Chief Financial Officer”	means to the official of the Municipality designated as such by the accounting officer in terms of section 80 [2] [a] of the Act;
“Creditor”	refers to the person to whom money is owed by the Municipality;
“Municipality”	refers to the Bitou Municipality;
“Procurement documents”	refer to quotation(s), requisition(s), SCM electronically generated order number;
“Survivalist enterprises”	refers to emerging business enterprises supplying the municipality with goods and services.

## **D. DUTIES OF ACCOUNTING OFFICER**

The Accounting Officer must 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 that –
  - (i) recognises expenditure when it is incurred;
  - (ii) accounts for creditors of the Municipality; and
  - (iii) accounts for payments made by the Municipality;
- c. That the municipality has and maintains a system of internal control in respect of creditors and other payments.

## **E. PAYMENTS TO CONTRACTORS/SUPPLIERS/CONSULTANTS**

(1) The Accounting Officer must ensure:–

(a) That all payments made by the municipality are made directly to the person or creditor that had supplied the relevant goods and/or services and/or to whom such payment is due, as informed by the municipality's SCM generated order number, unless otherwise agreed upon for good reasons in writing between the Accounting Officer and creditor.

(b) That all tenders and quotations invited by and/or contracts entered into by the municipality, stipulate payment terms favourable to the municipality, i.e. payment due to fall not sooner than the conclusion of the month following the month in which a particular service is rendered to and/or goods are received by the municipality, provided that all reasonable steps shall be taken to ensure that payments are made within thirty (30) days from the date of in which the municipality receiving an invoice.

(c) That no payments exceeding the value of R30 000 (inclusive of VAT) will be made out by way of non-transferable cheques; except for statutory requirements and suppliers such as Telkom.

- d. That the municipality will not issue “cash cheques” for creditors’ payments.
- e. That no more than two (2) payments to the similar creditor may be effected during any period of thirty (30) days.
- f. That no payment will be processed to any creditor if not accompanied by a creditor’s statement.
- g. That the creditors early settlement terms will be as according to (i-iv) provided that the complete procurement documents such as requisition(s), unique electronically generated order number(s), invoice(s) and supplier’s statement(s) are within the possession of the Creditors’ Section:
  - i. Standard settlement terms will be thirty (30) days from the date of receiving the creditor’s invoice.
  - ii. Payments will be released within fifteen (15) days **once 2,5% discount has been allowed.**
  - iii. Payments will be released within seven (7) days **once 3,5 % discount has been allowed.**
  - iv. Payments will be released **within 48 hours once 5% discount has been allowed.**

The accounting officer may on good cause shown, consider and approve a reduction in the standard allowable discounts offered for early payment release with due consideration of the effect that the early payment will have on the municipal cash flow.

- h. That the municipality does not reverse or refund to creditors any settlement discount allowed when negotiated and agreed upon by the creditors; whether agreed upon in writing, telephonically or verbally.
- i. In respect of “survivalist enterprises”; where the total annual turnover of the creditor for contract works with the municipality does not exceed the value of R360 000.00 and/or a turnover of R500 000 in a period of three (3) years doing business with the municipality; the payment may be effected within fifteen (15) days of receipt of tax invoice or statement concerned, provided that:

- The Creditors Section is in possession of the procurement documents including the creditor's statement (s) and invoice(s) on/before the 05<sup>th</sup> of each month to qualify for the payment run of the 15<sup>th</sup> of the referred month, and/or;
  - The Creditors Section is in possession of the procurement documents including the creditor's statement (s) and invoice(s) on/before the 20<sup>th</sup> of each month to qualify for the payment run of the 30<sup>th</sup> of the referred month
- j. The municipality will not request any early settlement discount from such business enterprises.

Provide that –

- (a) No more than two (2) payments to the similar creditor may be effected during any period of thirty (30) days; and
  - (b) Any early payment shall be specifically approved by the Accounting Officer before payment is made to the creditor concerned.
- k. The municipality will not perform any creditors' payment runs on Fridays unless specific approval is granted by the Accounting Officer.
- (2) Notwithstanding the foregoing policy directives; the Accounting Officer must, when it is financially beneficial to the municipality, make full use of any extended terms of payment offered by suppliers of goods and/or services to the municipality and may not settle any accounts earlier than such extended due date.
- (3) No payment for the provision of services, the supply of goods and/or the execution of work shall be processed unless an original supplier tax invoice containing a reference to the relevant municipality's SCM purchase order and such other relevant information as the Chief Financial Officer may determine, has been received.

- (4) Suppliers' original tax invoices processed for payment shall be certified by the originator of the order and/or Departmental Head. This will represent confirmation of receipt of goods and/or services being received and/or rendered and/or executed in a ways that are acceptable to the relevant departmental head and; where applicable, the relevant contract manager or according to contract standards.
- (5) Suppliers must submit their original tax invoices and delivery notes as well as monthly statements to the Creditors Accounts Section in the Finance Department. Any invoice submitted to another department shall retard the speed of processing the referred payment; and shall not hold the Creditors Accounts liable for the retarding of such payment and the policy's standard settlement terms will apply.
- (6) The Accounting Officer may not ordinarily process creditor payments more than twice in each calendar month, i.e. the Wednesdays closest to the 15th and 30th of each month: provided that special payments to creditors may be made with the express approval of the Accounting Officer if he/she is satisfied that there are compelling reasons for making such payments. Creditors' payments such as refreshment services, accommodation, travel and training may not be limited.
- (7) Payments in terms of this policy are subject to compliance with all financial requirements relating to payments to creditors by the municipality and the submission of all documentation substantiating particular payments.
- (8) The suppliers' invoices and/or delivery notes must reflect the municipality's unique order number for the goods purchased and/or services rendered; quantity purchased; date of the invoice as well as the VAT registration number (of the municipality); failure which will result to the referred invoice not being processed for payment.
- (9) All delivery notes on stock items must reflect the municipality's Stores stamp and the signature of the Storeman to confirm the delivery of the goods; failure which will result to the referred invoice not being processed for payment.
- (10) No municipal official; councillor; supplier; contractor and/or consultant will interfere in the processes of creditors' payments and/or accentuate the Creditors personnel to process payments outside the normal creditors' payment processes.



- (11) Any Council official who may wilfully/intentionally/or unintentionally misplace the creditors' payment documents, viz. Tax Invoices; Delivery Notes and/or Statements; will be fully liable for the recovery costs incurred; that includes the duplicate documentation fees and/or interest charged to the municipality.
- (12) Any municipal councillor and/or official who fails to submit payment documents and/or process creditors' payments within two (2) days after receiving such documents; in a manner that his/her actions result to interest and/or penalties being charged against the municipality shall be liable for such fruitless or wasteful expenditure and he/she will be dealt with in terms of the municipality's Unauthorized, Irregular, Wasteful and Fruitless Expenditure Policy.
- (13) No part-payment to the rendering of services, the supply of goods and/or the execution of work shall be approved unless indicated as such on the municipality's purchase order.
- (14) No pre-payment of goods will be approved, unless required by the contractual arrangements with the supplier.

#### **F. PAYMENTS TO COUNCILLORS/STAFF**

- (1) All subsistence and travel claims submitted by Councillors and personnel for payment will be processed in terms of the Council's approved Subsistence and Travel Allowance Policy.
- (2) All approved documentation relating to such subsistence and travel claims, signed by the Head of Department and approved the Accounting Officer must reach the Payroll Office by not later than Wednesdays, end of business. Such payments will only be processed on Thursdays for payment that will be released only on Fridays, the same week.
- (3) Where a claim for payment is received after the day determined as per paragraph (2), such claim will be processed provided that such action will not place an unnecessary work load to the Payroll Office.
- (4) The submission of overtime claims, standby, shift allowance claims must reach the Payroll Office on/before the 10<sup>th</sup> day of the month. Such payments will be dealt with per normal monthly payroll procedures.
- (5) The submission of any other human resource requests such as leave encashment, cellphone allowances, acting allowances and/or any other statutory related payments must reach the Payroll Office on/before the

15<sup>th</sup> day of the month. Such payments will be dealt with per normal monthly payroll procedures.

- (6) Salaries payments shall be on the 25<sup>th</sup> of each month or the closest working day. However, for the months of December; salaries will be processed within seven (7) days prior to Christmas Day.
- (7) The practice for the processing of salary advances for the municipal Councillors and staff is forbidden in terms of Section 164 (c) (i) – (iii) of the Municipal Finance Management Act.
- (8) Closure for the submission of monthly payroll documentation for processing will be approved by the Chief Financial Officer, and will be communicated to other Heads of Department.
- (9) No municipal official and/or Councillor will interfere in the processes of salaries and wages payments or to accentuate the Payroll Office to process payments outside the normal salaries and wages payment processes.
- (10) The municipality, through the Payroll Office, shall not issue “cash cheques” to employees for payments relating travel and subsistence, overtime, standby, nightshift claims, etc. Such payments must electronically be transferred into the employees banking accounts.
- (11) All instructions to the Payroll Office must be directed and reviewed by the Manager: Expenditure or his/her delegated official prior to such request being processed on the municipal payroll system.
- (12) The municipality shall not process payroll deductions if such deductions are not statutory related. Only statutory and/or collective agreement deductions as well as other deductions such as mortgage bonds, garnishee orders, pension fund loans, maintenance orders, employees’ rental accounts on municipal properties and employees’ municipal accounts will be approved for processing by the Payroll Office.

## **G. DELEGATION OF FUNCTIONS AND POWERS**

The Accounting Officer may, in terms of section 79 of the Act, delegate his or her functions and powers in terms of this policy to the Chief Financial Officer.