

BITOU MUNICIPALITY



ACCOUNTS PAYABLE POLICY

2024/25

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1. DEFINITIONS AND ABBREVIATIONS

1.1. DEFINITIONS

“Accounting Officer” - A person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of the municipality in terms of section 60 of the MFMA.

“Accounts Payables” - In accounting terms, Accounts Payables means monies owed by an organization to its vendors/suppliers (Trade Creditors) for goods and services purchased on credit.

“Direct Payments” - Payments where transactions involved could not be initiated through the Supply Chain Management processes.

“Electronic Funds Transfer” - The electronic movement of funds from Bitou Municipality’s primary bank account to different vendor/supplier accounts in the same or different banks, through the use of host-to-host transaction method.

“Goods Received Note” - A confirmation document from the receiving department that shows that the ordered goods were received. It is used along with a purchase order in the three way match to authorized invoice for payment.

“Goods Returned Advise” - A confirmation document from the receiving department that shows that the ordered goods were sent back to the supplier. It is used along with a purchase order, the goods received note as well as the authorized invoice for payment.

“IDP” - Integrated Development Plan.

“Municipality” – Bitou Municipality.

“Payment Certificate” - A certificate attached to contract payments where progress payments are made.

“Payment Terms” - Are within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice. In terms of section 65(e) of the MFMA or 15 days from receipt of invoice based on a current BBBEE certificate and allocated by SCM Compliance.

“Purchase Order” - A buyer generated document that authorizes a purchase transaction. When accepted by the seller, it becomes a contract binding on both parties.

“Statement” - Summary of all transaction debits or credits with a vendor or supplier or consultant that occurred during the previous month and their effect on an open-account balance. It is also known as a statement of account.

“Tax Invoice” - A document issued by a vendor/supplier/consultant to the municipality listing the goods or services supplied and stating the sum of money due.

“VAT” - Value Added Tax. VAT is a consumption tax levied on goods and services at each step of the production/distribution cycle.

“Suppliers’ Master File” - A comprehensive database file maintained by the SCM Unit that contains information about vendors/suppliers/consultants used to facilitate financial transactions. The information includes payment terms, address, names of directors, banking details and any other related information.

“Contracts Module” - Contract Module in Financial System that is used to capture contract payment information, tax invoices supported by Payment Certificates, raised against the Contract (by the Contractor).

1.2. ABBREVIATIONS

BAC - Bid Adjudication Committee

IDP - Integrated Development Plan

GRN - Goods Received Note

GRA - Goods Returned Advise

EFT - Electronic Funds Transfer

MM - Municipal Manager (Accounting Officer)

DP – Direct Payments

SCMD - Supply Chain Management Division

EMD - Expenditure Management Division

SARS - South African Revenue Services

VAT - Value Added Tax

2. PROBLEM STATEMENT

2.1. In compliance with the Municipal Finance Management Act (No. 56 of 2003), Local Government: Municipal Systems Act (No. 32 of 2000), the King IV Code on Corporate Governance in South Africa (2016), the Bitou Council approved Cost Containment Policy as adopted on 29 January 2021 and any other applicable legislation, the Municipality must establish and maintain an adequate internal financial control system.

2.2. Limited resources should be used effectively, efficiently and in accordance with the approved budget as well as any relevant financial policy as determined by the financial regulations for local authorities and guidelines by the Financial Management of the Bitou Municipality.

2.3. The Accounts Payable Policy document serves to support the concept of the control measures necessary within Expenditure Management Division.

2.4. Further, it is deemed to serve as:

- (a) An information document in order that the users of the Expenditure Management Division have an understanding of what is required; and
- (b) A working document to make the processes of Expenditure Management Division more effective.

3. DESIRED OUTCOME

3.1. The primary desired outcome of this policy is to ensure that the municipality complies with Section 65 (2) (e) of the MFMA which requires the Accounting Officer to assume all reasonable steps to ensure:-

- (a) That all money owing by the municipality be paid within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice, unless prescribed otherwise for certain categories of expenditure.
- (b) The Senior Manager: Supply Chain Management and Expenditure Management in supporting both the Chief Financial Officer and the Accounting Officer must ensure that all invoices are paid within 30 days from the date of receiving the statement or, in the absence of statement, from the date of receiving the invoice.

4. PURPOSE

4.1. The purpose of this policy prescribes a process to be followed for the control and processing of all payments in terms of the Municipal Finance Management Act, Act No 56 of 2003 by ensuring that:-

- (a) The municipality conducts business with properly registered suppliers as prescribed by the Supply Chain Management Policy;
- (b) The supplier database is updated with correct/valid information;
- (c) No payments are made to suppliers placed on hold or blacklisted;
- (d) Only valid tax invoices/invoices are processed for stock and non-stock purchase orders;
- (e) Only valid tax invoices/invoices are processed for service purchase orders;
- (f) Only valid tax invoices/invoices are processed for contracts; and
- (g) Only qualifying valid tax invoices/invoices are processed as finance payments in accordance with applicable legislation, any relevant regulations and/or guidelines.

4.2. The policy shall apply to all payments processed by the municipality, except for salaries and wages for employees or deemed to be employees. However; salaries and wages must first be processed on the Payroll System prior to such payment being processed through the Accounts Payable Section.

4.3. This policy is a high level document and should be read in conjunction with the respective approved detailed business processes.

5. SCOPE

5.1. This Policy is applicable to-

- (a) All official payments made by the Bitou Municipality to vendors/suppliers/consultants of the Bitou Municipality or other duly authorized payments;
- (b) Any exceptions with the specific authorization of the Senior Manager: SCM and Expenditure Management; and
- (c) Any deviations in Sundry Payments which would require special authorization from the Senior Manager: SCM and Expenditure Management or the Chief Financial Officer as delegated by the Municipal Manager in terms of the Procurement Policy.

6. APPLICABLE LEGISLATION, REGULATIONS AND POLICIES

6.1. This policy is developed and guided by the following legislations and regulations:

- (a) Municipal Finance Management Act (MFMA), Act No. 56 of 2003;
- (b) Value Added Tax Act 89 of 1991;

- (c) Local Government: Municipal Systems Act (Act No.32 of 2000);
- (d) Income Tax Act 58 of 1962 (as amended);
- (e) Treasury Regulations;
- (f) Supply Chain Management Regulations;
- (g) Supply Chain Management Policy;
- (h) GRAP 104: Financial Instruments;
- (i) King Code IV of Corporate Governance;
- (j) Integrated Development Plan;
- (k) Credit Control and Debt Collection Policy; and
- (l) Petty Cash Policy.

6.2. Section 38 1 (e) (i) of the Council's approved Supply Chain Management Policy addresses the processes that the Accounting Officer must follow when receiving any bid from a bidder with the municipal rates and taxes or municipal services charges, owed by the bidder or any of its directors, in arrears for more than three (3) months. When submitting a tender for the provision of services or the delivery of goods, each potential contractor, service provider and supplier (hereinafter referred to as the 'tenderer') must prove to the satisfaction of the Municipality that all accounts for which the tenderer is liable, have been paid up to date, and that all accounts for which each and every director, owner, partner or trustee of the tenderer is liable, have also been paid up to date. Unless a suitable arrangement has been made between the bidder

and the Bitou Municipality that the total amount in arrears be recovered directly from the bidder's invoices during the contract period".

6.3. By the direction of the Council's approved Credit Control & Debt Collection Policy, the Revenue Management Division shall request the Expenditure Management Division to deduct the arrears from the affected service provider/supplier/consultant.

7. ROLE PLAYERS AND STAKEHOLDERS

7.1. The principal role player is the Chief Financial Officer. The Expenditure Management Division will be responsible for implementing the policy and administering its on-going management and evaluation.

7.2. Below is an outline of the affected role-players and stakeholders:

- (a) Expenditure Management Division;
- (b) Supply Chain Management Division;
- (c) Finance and Engineering Portfolio Committee;
- (d) Executive Mayor's Office;
- (e) Council of Bitou Municipality;
- (f) Western Cape Department of Cooperative Governance and Traditional Affairs;
- (g) Auditor-General South Africa;
- (h) SALGA;
- (i) SARS;

(j) Other Government Departments; and

(k) Registered suppliers/vendors/consultants on the Central Suppliers' Database.

8. POLICY PROVISIONS

8.1. SUPPLIER ACCOUNT MAINTENANCE

8.1.1. Creating a new supplier.

(a) In order for a supplier to successfully make business with the municipality, the supplier is required to be registered in the Central Suppliers' Database (CSD).

(b) The Supply Chain Management Division is responsible for creating supplier master records on the Financial Management System.

(c) For the non-trade suppliers, the Expenditure Management Division must process a Direct Payment in place of a normal system generated requisition form.

(d) The following documents are required when creating a new supplier:

(i) Supplier database form;

(ii) Stamped and signed original Banking EFT form; or

(iii) Original bank statement/confirmation of bank details;

- (iv) Company letterhead;
- (v) Copy of company registration documents;
- (vi) Copy of ID documents of all shareholders/managing members (certified copy);
- (vii) Original valid tax clearance certificate;
- (viii) Copy of valid BEE certificate (certified copy); and
- (ix) Proof of delegated authority, i.e. Company Resolution

8.1.2. Update of existing supplier record.

- (a) Any changes to supplier details must be updated in the supplier account details screen on the Finance Management System.
- (b) The supplier must notify the municipality of the referred changes by attaching a letter (on the company's letterhead) reflecting the change of details.
- (c) Where banking details are changed, the Accountant within the Accounts Payable Section must complete the application form to amend banking details, and attach copy of invoice to be paid, banking details reflecting on the Central Suppliers' Database (CSD) as well as the confirmation of the new banking details. The Accountant/Snr Accountant must validate the application form, and the Manager/Snr Manager must approve the application for the change of banking details.

8.1.3. Placing a supplier account on hold or suspension.

(a) SCM Unit (Supplier Database Maintenance) may be requested to hold or suspend the supplier's account for the following reasons:

- (i) Conflict of Interest;
- (ii) BEE certificate expired;
- (iii) Tax Certificate expired;
- (iv) Change of banking details;
- (v) SARS VAT recovery;
- (vi) Supplier's bank account closed or EFT rejection;
- (vii) Council debts;
- (viii) Supplier under investigation;
- (ix) Supplier unable to deliver the services etc.

(b) The request to place the supplier account on hold may be initiated by:

- (i) User-departments;
- (ii) Expenditure Management Unit (Expenditure Management Unit);
- (iii) SCM Compliance;
- (iv) Internal audit.

(c) The request must be submitted in writing to the SCM Unit.

(d) The SCM Unit must ensure that the request is authorized by appropriate management level.

(e) Upon receiving the request to suspend the supplier account, SCM Unit must:

- (i) Place the supplier on hold and suspends on the system;
 - (ii) Scan all documents for attachment to the supplier address book for record keeping.
- (f) The hold status will not prevent further procurement from the supplier, but will prevent payments from being made.
- (g) The suspension will prevent any further procurement from that supplier.

8.1.4. Removing a supplier account from a hold or suspend status.

- (a) A written request must be initiated by user-departments and any other department mentioned in 8.1.3 (b) to remove a supplier's account from a hold or suspend status.
- (b) The SCM Unit must ensure that the request is authorized by appropriate management level.
- (c) The SCM Unit must remove the supplier from a hold or suspend status on the system and scans all documents for attachment on the supplier address book for record keeping.

8.2. Processing and Authorization of Invoices

8.2.1. All tax invoices to be processed for payment must be in line with Section 20 of the Value Added Tax Act.

Section 20(1) therefore places an obligation on a supplier to issue a tax invoice in respect of each taxable supply made by the supplier, and he must do so within 21 days of the supply

8.2.2. Invoices received by Expenditure Management Division should be original invoices and/or PDF copies.

8.2.3. Where a copy of an invoice is received, it can be processed for payment provided that verification is first performed to ensure that the invoice has not been previously paid and the invoice is endorsed accordingly (certified true copy of original).

8.2.4. Authorization of invoices should be as per the approved delegations of authority.

8.2.5. Authorization of invoices/payment documentation that fall outside the SCM processes should be in line with functional delegations of Divisional Managers and/or Directorate Heads.

8.2.6. All invoice payments must be reviewed for compliance with SCM processes by the Expenditure Management Division delegated officials prior to payment being made.

8.3. Processing invoices for stock and non-stock purchase orders.

8.3.1. The following will apply when processing invoices related to stock and non-stock payments:

(a) Goods received notes (GRN's) are authorised in order for payment by the relevant delegated officials and forwarded to Expenditure Management Division for matching with the Suppliers' invoice and processing of payment.

(b) An order number must be confirmed prior to processing an invoice.

- (c) Each invoice must not be reflected in multiple order numbers.
- (d) An invoice cannot be processed for payment unless it has a valid purchase order which has been receipted through the SCM system.

8.4. Processing invoices for service purchase orders.

8.4.1. Service purchase orders are raised by various user-departments for any services which are undertaken by the service provider for the department.

8.4.2. The sourcing of quotations is the responsibility of the SCM Division.

8.4.3. Expenditure Management Division checks or performs the vetting on the SCM generated purchase order before processing invoices.

8.4.4. The following applies when processing invoices related to service purchase orders:

- (a) Service orders must be receipted;
- (b) An invoice must be signed for payment approval by the user-department.

8.4.5. Attach the following documents to the invoice

- (a) GRN;
- (b) Purchase Order form;
- (c) Quotations used in sourcing of service
- (d) Procurement requisitions signed by SCM Division; and
- (e) Any other applicable supporting documents (where required by Expenditure Management Division):

- (i) Memo;
- (ii) Council Approval; and
- (iii) Motivation as signed by the Department Head.

8.4.6. Invoices must not be reflected in multiple order numbers.

8.5. Processing invoices related to contracts.

8.5.1. The following applies when processing invoices related to contract payments:

(a) The user-department must compile a contract file relating to the payment on hand and include all documentation listed below:

- (i) Authorised Tax Invoice/Invoice (Refer 8.2.3 for copy of invoice);
- (ii) Authorised Payment Certificate;
- (iii) Letter of Appointment/Award;
- (iv) Completion Certificate (where applicable);
- (v) Copy of SCM Purchase Order
- (vi) Penalties (where applicable);
- (vii) Payment Cession documentation (where applicable);
- (viii) Guarantee Retention (where applicable); and
- (ix) Variation Orders (where applicable); and

8.5.2. Where any of the required documentation in 8.5.1 (a) above is missing from the contract file or invoicing information, Expenditure Management Division will contact the referred user-department and payment will not be effected until all issues are resolved.

8.5.3. The Expenditure Management Division must ensure that there are sufficient funds available in the U-Keys indicated on the payment certificate.

8.5.4. Where funds are to be allocated from a different U-Key, and the amount to be allocated to a new U-Key, the user-department must supply the Expenditure Management Division with an amended payment certificate.

8.6. Processing invoices using a Direct Payment method.

8.6.1. Invoices processed for payment using a Direct Payment method should be generally the invoices where it is impractical to raise a purchase order with the supplier before a service is rendered.

8.6.2. Direct Payment method will only be considered where transaction values could not be determined through the SCM process.

8.6.3. A prescribed standard Direct Payment method form must be completed where a manual payment needs to be made.

8.6.4. Where the user-department has chosen to prepare a payment voucher, the invoice must be attached to the payment voucher.

8.6.5. Where high volume invoices are received from the supplier, Expenditure Management Unit must forward the invoices to the user-departments for authorization and to endorse the U-Keys against which the costs on the invoice are to be charged.

8.6.6. The user-departments must obtain the budget validation certificate from the Budget Office prior to invoices being processed on the Creditors' System.

8.6.7. Where invoices relate to public liability claims, third-party insurance claims, workmen's compensation, etc., the following documents must be attached to the payment voucher where applicable:

- (a) Invoice;
- (b) Quotation; and
- (c) Assessor's/SAPS/Medical Reports.

9. SUBMISSION AND RECEIPTING OF INVOICES

9.1. Invoices may either be received from user-departments or directly from the supplier.

9.2. All invoices received must be promptly forwarded to Expenditure Management Division to allow the necessary processing to be undertaken.

9.3. Where invoices are received directly from the suppliers, the Expenditure Management Division must refer the invoices to the relevant user-departments for verification and approval.

9.4. Invoices will be returned by the user-departments together with the above applicable mentioned documents in 9.1.

9.5. All invoices are to be submitted with all the required documentation attached.

9.6. All invoices received by Expenditure Management Division must be stamped with the receipt date once being received by the personnel within the Account Payable Section. However; such invoice do not need to be stamped by the Accounts Payable

personnel if the user-department had already applied a date stamp and/or written the date on the invoice during the payment approval process.

9.7. The date stamp and/or the date reflected on the invoice as per paragraph 9.6 above, will determine the ageing of the invoice in terms of the standard of measurement on 30 days payment to invoices per Sec 65 (e) of the MFMA.

9.8. All invoices must be addressed to Bitou Municipality, Expenditure Management Division and the applicable post office address and/or email address stated below:

- (a) Bitou Municipality, Private Bag x1002, Plettenberg Bay, 6600; or
- (b) Bitou Municipality, Office 63, Melville's Corner Shopping Centre, Plettenberg Bay, 6600.
- (c) email address: creditors@plett.gov.za

10. DELEGATIONS OF AUTHORITY ON PROCUREMENTS AND PAYMENTS

10.1

Task Grade	Procurements/Payments Range (R)	Types of payments (The below relates to individual transactions)
T13 and above	Up to 5 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices up to the value of R5 000.
T14 and above	Up to 30 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager:

		Expenditure), as well as SCM Requisitions, and Invoices up to the value of R30 000.
T15 and above	Up to 50 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices up to the value of R50 000.
T16 and above	Up to 100 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices, and Payment related Memorandums up to the value of R100 000.
T17 and above	Up to 200 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices, and Payment related Memorandums up to the value of R200 000.
T18 and above	Up to 300 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices, and

		Payment related Memorandums up to the value of R300 000.
Directors	Up to 10 000 000	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices, and Payment related Memorandums, and recommend to the Municipal Manager the SCM Deviations up to the value of R10 000 000.
MM	Up to the value of the contract	Petty Cash, i.e., 0 – R2 000 (with pre-consultation with Manager: Expenditure), as well as SCM Requisitions, and Invoices, and Payment related Memorandums and approve the SCM Deviations.

10.2. The user-departments must forward specimen signatures of all personnel falling under 10.1 above to the Finance Department.

10.3. The Finance Department must utilize the specimen signatures to validate the authorization levels on all procurements as well as payments requests.

11. SETTLEMENT DISCOUNTS

11.1. Expenditure Management Division must maintain a control register to record all documents received.

11.2. Where settlement discounts are offered, it will be conducted taking into consideration the municipality's cash flow status as well as the negative impact it might have on the normal work flow within the payment section.

11.3. All payments processed should be in line with the municipality's payment terms taking cognizance of any potential settlement discounts.

11.4. Early settlement discount should only be considered from 2.5% and above.

11.5. The municipality's "survivalist creditors" will be exempted from the early settlement discount process.

12. DISPUTED INVOICES

12.1. It is the duty of the user-departments to resolve all queries related to disputed invoices in relation to the following:

- (a) Where invoices are received without the required documentation being attached;
- (b) Where payment documentation is submitted to Expenditure Management Division without a budget check being performed;
- (c) Where procurements have been done without the SCM processes being followed leading to payments to creditors being delayed; and

(d) Where an invoice was changed due to a dispute.

13. CESSION AGREEMENTS

13.1. Payments to a cessionary will only be permitted on receipt of a fully signed Cession Agreement attached to the payment certificate and must be in line with Supply Management Policy of the Municipality.

13.2. Where a cession is to be enforced the relevant Payment Certificate must indicate the cessionary and the amount.

13.3. A Cession will be limited to a maximum 3 cessions per contract not exceeding 60% of the total contract.

13.4. Cessions will only be valid if authority to cede is sought from the Municipal Manager.

13.5. The awarded supplier of the order/contract must be the one issuing the municipality with an invoice and statement. The municipality will only change the banking details to the one of the cessionary partner. Payments will then be made to the cessionary creditor.

14. CREDITORS RECONCILIATION

14.1. The creditors' reconciliation must be performed on monthly basis by Expenditure Management Division.

14.2. The Manager: Expenditure or any delegated senior official within the Expenditure Management Division must review and authorize the monthly reconciliations to confirm that the correct creditor account was raised.

15. PETTY CASH

15.1. Maintenance of petty cash is a function of Expenditure Management Division and is guided in terms this policy, the Supply Chain Management policy, the Petty Cash Policy and regulations as well as any other applicable policy document. (For further details refer to the approved Petty Cash Policy).

15.2. A petty cash funds are intended to be used for small, incidental purchases.

15.3. A petty cash is not to be used to pay for personal expenses or normal operating expenses within the municipality.

16. RECORD KEEPING

16.1. Expenditure Management Division must maintain a control register to record all documents received and filed after payment being made.

16.2. All processed documents must be stamped as paid and filed in a properly designated filing system/place.

16.3. All documentation processed by Expenditure Management Division shall be retained and will remain under the control of the Expenditure Management Division for at least five (5) financial years, thereafter transferred to the municipality's Archives.

17. IMPLEMENTATION, EVALUATION AND REVIEW

17.1. This policy framework is important for the financial compliance of the municipality. It provides an all-inclusive administrative procedure for the management of Expenditure Management Division.

17.2. Senior Management must ensure that during the implementation stages of the policy, there is consistent monitoring and evaluation of the policy as indicators will result in challenges within the policy implementation phases.

17.3. This policy shall be reviewed on an annual basis.

18. CONSEQUENCE MANAGEMENT

18.1. Any person who contravenes or fails to comply with any provision of this policy may be subjected to disciplinary action.

18.2. Any Councilor or official who deliberately or negligently commit, make or authorize an irregular expenditure will be liable for that expenditure.

18.3. Any Councilor or official who deliberately or negligently make or authorize a fruitless and wasteful expenditure will be liable for that expenditure.

18.4. The Municipal Manager must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.

19. POLICY ADOPTION

This policy will be implemented with effect on the day of approval by Council.