

BERGRIVIER MUNICIPALITY



CREDITORS, COUNCILLORS AND PERSONNEL PAYMENT POLICY

Council Resolution No:

Date: March 2021

TABLE OF CONTENTS

- A. OBJECTIVE
- B. LEGISLATIVE REQUIREMENTS
- C. DEFINITIONS
- D. DUTIES OF ACCOUNTING OFFICER
- E. PAYMENTS TO CONTRACTORS / SUPPLIERS / CONSULTANTS
- F. PAYMENTS TO COUNCILLORS / STAFF
- G. DELEGATION OF FUNCTIONS AND POWERS

A. POLICY OBJECTIVE

The objective of this policy is to provide standard procedures relating to payments due to creditors, councillors and personnel of Bergrivier 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 proceed 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” | refers to the Local Government: Municipal Finance Management Act, 56 of 2003; |
| “Accounting Officer” | refers to the Municipal Manager; |
| “Chief Financial Officer” | refers 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 Bergrivier Municipality; |
| “Procurement documents” | refer to quotation(s), requisition(s), SCM electronically generated order number; |
| “Small 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 Eskom and DWA.
 - (d) That the municipality will not issue "cash cheques" for creditors' payments.
 - (e) More than two (2) payments to the same creditor may be effected during any period of thirty (30) days, only on approval of the Expenditure Manager, and may not be in breach of Sec 65 (e) of the MFMA.
 - (f) That no payment will be processed to any creditor if not accompanied by a creditor's statement.
 - (g) In respect of "small enterprises"; where the total annual turnover of the creditor for contract works with the municipality does not exceed the value of R500 000.00; the payment may be effected within fifteen (15) days of receipt of tax invoice or statement concerned unless otherwise agreed upon with the Manager Expenditure, provided that:
 - The Creditors Section is in possession of the procurement documents including the creditor's statement (s) and invoice(s) on/before the cut-off date as determined by the Manager Expenditure, depending on which payments is due for the 30 day period.
 - (h) The municipality will not perform any creditors' payment runs on Fridays unless specific approval is granted by the Chief Financial Officer.
 - (i) Banking details – Any changes to the Creditors' banking details will only be allowed when the following procedures have been met:

- The Creditor must inform the Municipality of its banking details on an original letterhead from the specific company and approved by the relevant banking institution with their official stamp and signature.
 - The Creditor must also update the banking details on the National Treasury website - Central Supplier Database.

 - Bank details changes must be authorised by two Senior Officials as identified by the Chief Financial Officer, in the Financial Department.
 - Before payment is processed by the Creditors department for Service Level Agreement contracts the service delivery department must confirm:
 - All prices, calculations and any taxes are correct.
 - The account has not previously been paid.
 - Sufficient budgetary provisions exist.
 - The creditors checklist is completed and attached to the invoice.(This list must also be checked and signed off by the Accountant: Expenditure)
- (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 ways that are acceptable to the relevant departmental head and; where applicable, the relevant contract manager or according to contract conditions.
 - (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 delaying of such payment and the municipality's standard settlement terms will apply.

- (6) The Chief Financial Officer can process creditor payments more than once a week, provided that special payments to creditors may be made with the express approval of the Manager Expenditure if he/she is satisfied that there are compelling reasons for making such payments. The normal day for payment of Creditors will be on a Thursday of each week. Creditors' payments such as accommodation, travelling and subsistence will be dealt with on a case by case basis, as approved by the Chief Financial Officer or delegated authority.
- (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 Senior SCM Practitioner: Logistics 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.

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.

The Municipality shall, if determined to be financially beneficial, and subject to cash flow being available, make use of early settlement discounts offered by suppliers to effect payment before the scheduled payment intervals as determined herein above, such payments may be approved by the CFO on recommendation by the Manager Expenditure.

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. All claims submitted before the 10th of the month, will be paid on or before the 15th of the month and claims submitted thereafter will be paid with the monthly salary.
- (2) All approved documentation relating to such subsistence and travel claims, approved by the relevant Head of Department must reach the Payroll Office by not later than Tuesday, 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 may be considered for processed provided that such action will not place an unnecessary work load or undue pressure on the Payroll Office and Creditors section.
- (4) The submission of overtime claims, standby, shift allowance claims must reach the Payroll Office on/before the 10th day of the month. Such payments will be dealt with per normal monthly payroll procedures. Late submissions will only be dealt with in the following month.
- (5) The submission of any other human resource requests such as leave encashment, allowances, acting allowances and/or any other statutory related payments must reach the Payroll Office on/before the cut off dates annually determined by the Chief Financial Officer. Such payments will be dealt with per normal monthly payroll procedures
- (6) Salary payments shall be on the 25th of each month or the closest working day thereto for all employees whether permanent, temporary or appointed on contract as well as Councillors, taking into consideration the bank cut-off times and related practical considerations; However, for the months of December; salaries will be processed within four (4) days prior to Christmas Day. The Chief Financial Officer will annually determine the salary payment dates and distribute same for information to all departments.
- (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. For claims on S&T's banking details as registered on the payroll system will be used for payment. It is the

responsibility of each councillor and official to ensure that their banking details are correctly provided to the Human Resource Section for payroll purposes. The Salary office will not be held liable for incorrect payment details and the subsequent delay in payments or disbursements because of incorrect information supplied.

- (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, and employees' rental accounts for municipal properties and arrear employees' municipal accounts recovered in terms of the municipal credit control and debt collection policy will be approved for processing by the Payroll Office.
- (13) The following deductions will not be allowed:
 - (13.1) Insurance policies (Example: Old Mutual, Legal Wise, AVBOB, Metropolitan, SANLAM etc.)
 - (13.2) Current Municipal Accounts for rates and services, unless a written instruction is signed and provided to the Payroll office on or before the 10th of each month.
 - (13.3) Savings and investment account contributions
 - (13.4) Only the Unions that have a written agreement with a Broker and the Municipality is allowed to deduct contributions,

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.