

MATATIELE LOCAL MUNICIPALITY



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PAYMENT POLICY

NO 21 OF 2017/2018
CR 147/29/05/2017

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MUNICIPAL MANAGER

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MAYOR

Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

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1. OBJECTIVE

The objective is to describe the process to be followed regarding payment of invoices from creditors.

2. GUIDELINES

2.1 Batch processing of payment requests

The creditors section receives the following in batches on a weekly basis:

- Orders with corresponding requisitions from the purchasing section;
- The suppliers delivery note and the internal goods received note (GRN) from the stores section; and
- If the supplier forwards his invoice with the delivery note, the receiving official should forward the invoice to the creditors section who should immediately on receipt of the invoice put a date stamp on the invoice.
- If the invoice relates to a service that was supplied, the official that requested the service should sign the invoice to indicate that the service was received.

2.2 Matching of documentation

Each supplier invoice must be matched to a properly approved requisition and order form. The invoice must then be matched to the delivery note. The description of the goods, the quantity supplied and the signature of the authorized person receiving the goods must be confirmed.

2.3 Validation of documentation

2.3.1 The creditors section is responsible for checking the adequacy and completeness of documents received from the purchasing and stores sections. If the creditors section is not satisfied with the documents received from the purchasing or stores sections, they must interrogate the relevant purchasing or stores officials.

2.3.2 In the instance that the creditors section is still unhappy with the explanations supplied by these officials, the matter must be referred to the Chief Financial Officer for resolution.

2.4 Contract services

- 2.4.1 Where a service is rendered regularly in terms of a standing contract, or where a continuing service such as a telephone is provided, order forms are not required. The official receiving the service must approve the invoice before submitting it to the creditors section for checking and payment.
- 2.4.2 An initial or progress payment in terms of a contract or written agreement shall not be considered an advance but shall be brought into account as a direct charge to the appropriate vote or service. The voucher pertaining to such payment shall:
 - 2.4.2.1 Disclose the total amount payable in terms of the contract;
 - 2.4.2.2 Disclose the total amount of all previous payments in terms of the contract together with the cheque numbers or other appropriate payment references (if not paid by cheque);
 - 2.4.2.3 Disclose the total payment to date, including the payment being made as reflected in the voucher;
 - 2.4.2.4 Disclose the balance due; and
 - 2.4.2.5 Be supported by a certificate from a duly authorized official responsible for the management of the contract, that the supplier is entitled to the payment in terms of the contract and the work has been properly performed

2.5 Method and Timing

All payments:

- 2.5.1 Should be effected by cheque or preferably electronic transfer. Apart from petty cash, no payments should be made in cash; and
- 2.5.2 Should be made weekly, and, only under exceptional circumstances, as determined by the Chief Financial Officer, should a payment be made outside of these intervals

2.6 Preparation for Payment

- 2.6.1 The creditors section must prepare a list of payments to be made, differentiating between electronic and cheque payments.
- 2.6.2 The creditors section must present the payment listing together with supporting documentation to the Chief Financial Officer.
- 2.6.3 The Chief Financial Officer must critically inspect the supporting documentation to satisfy himself/herself that the requested payments are in order.
- 2.6.4 Disputed payments will be returned to the creditors section. It is the responsibility of the creditors section to ensure that the supporting documentation is complete.

2.7 Cheque payments

- 2.7.1 Cheque requisition forms are completed in the creditors section for each cheque payment.
- 2.7.2 These cheque requisition forms will be forwarded to an official who has been assigned the responsibility to prepare cheques.
- 2.7.3 The cheques and the supporting documentation are forwarded to the Municipal Manager and Chief Financial Officer or to the signatories appointed by them for signing.
- 2.7.4 The Municipal Manager and Chief Financial Officer may elect for cheques above a certain amount to be signed by the Municipal Manager and the Chief Financial Officer personally. These limits must be formally documented and strictly adhered to.

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- 2.7.5 Every signatory must inspect the documentation and satisfy him or herself as to the validity of the expense before he/she signs the cheque.
 - 2.7.6 Two signatories must sign every cheque.
 - 2.7.7 The cheque number must be annotated on the supporting documentation. The documentation should also be stamped as evidence of it being paid.
 - 2.7.8 The cheques should then be posted to or collected by the respective creditor.

2.8 Electronic payments

- 2.8.1 The Chief Financial Officer or delegated official must prepare the electronic funds transfer (EFT) for those suppliers that are paid electronically.
- 2.8.2 The Municipal Manager and/or the Chief Financial Officer must insert passwords to effect the electronic funds transfer after reconciling it to the relevant supporting documents.
- 2.8.3 The Chief Financial Officer or delegated official must stamp the supporting documentation as paid.
- 2.8.4 The Municipal Manager can elect to adopt the same delegated authorisation limits referred to in 2.7 above.

2.9 Debit Order payments

- 2.9.1 In certain circumstances, the Municipality may have entered into agreements requiring payment by debit order. These arrangements must be authorised by the Chief Financial Officer and/or the Municipal Manager.
- 2.9.2 The accounting section should prepare a schedule of all debit orders that were processed in any respective month. This schedule will form part of the monthly bank reconciliation. This schedule should be forwarded to the creditors section.
- 2.9.3 The creditors section will be responsible for providing documentation to support the validity of these deductions

- 2.9.4 The schedule accompanied by supporting documentation should be submitted to the Chief Financial Officer to satisfy himself/herself that these are in order.
- 2.9.5 The Chief Financial Officer signs this schedule as evidence that he/she has inspected the supporting documentation and is satisfied as to the validity of the deduction.
- 2.9.6 If any deduction is disputed by the Chief Financial Officer then it will be referred to the creditors section, which will be responsible for following up on all queries with regard to payments.

3. DOCUMENTATION

The creditors section is responsible for maintaining all documentation relating to creditor payments.

4. RECONCILIATION

This includes a weekly reconciliation of the creditor's statements to the accounting records maintained by the Municipality.