



**MAKHUDUTHAMAGA MUNICIPALITY
PAYMENTS POLICY AND PROCEDURES**

**MAKHUDUTHAMAGA
LOCAL MUNICIPALITY
PAYMENTS POLICY AND
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2021/2022**



MAKHUDUTHAMAGA MUNICIPALITY PAYMENTS POLICY AND PROCEDURES

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1. LEGISLATIVE REQUIREMENTS

In terms of section 65 of the Municipal Finance Management Act, Act 56 of 2003, the municipal manager as 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.

2. DEFINITIONS

In this procedure manual –

“Act” means the Local Government: Municipal Finance Management Act, 56 of 2003;

“creditor” means a person to whom money is owing by the Municipality;

“accounting officer” means the municipal manager;

“Chief Financial Officer” means the official of the Municipality designated as such by the accounting officer in terms of section 80[2][a] of the Act;

“Municipality” means Makhuduthamaga Local Municipality

“prescribed” means prescribed in terms of the Act.

3. GENERAL DUTY OF ACCOUNTING OFFICER

The accounting officer must take all reasonable steps to ensure –



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[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 payments and also to ensure that creditors are paid within 30 days

4. PAYMENTS TO CREDITORS/SUPPLIERS

[1] The accounting officer must ensure that –

[a] that all reasonable steps are taken to ensure that all payments

made by the Municipality are made directly to the person/organisation that supplied the relevant service or goods or to whom such payment is due, unless otherwise agreed upon for good reason and approved by Municipal Manager for implementation

[b] that payments by the Municipality are made either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to limit of R3000,00

[c] that all tenders and quotations invited by and contracts entered into by the Municipality, stipulate payment terms favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality, provided



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that all reasonable steps shall be taken to ensure that payment is made within thirty [30] days of the date of the invoice.

[2] The provisions of subparagraph [c] may be relaxed by the accounting officer –

[a] when such relaxation is, in the opinion of the accounting officer, financially beneficial to the Municipality;

[b] in respect of small, micro and medium enterprises, where the total income derived from contract work entered into with the Municipality does not exceed R100 000.00 per contract in a municipal financial year, in which case payment may be effected at the conclusion of the month during which the service is rendered, or within fourteen days of the date of such service being rendered, whichever is the latter:

Provided that –

[i] no more than two [2] payments may be effected during any period of thirty [30] days; and

[ii] any early payment shall be specifically approved by the accounting officer before payment is made to enterprise concerned;

[c] in cases where early payment is necessary such as travel, accommodation and training

[3] 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 services to the Municipality and may not settle any accounts earlier than such extended due date;

[4] The accounting officer may not ordinarily process creditor payments, more than three in each calendar month: Provided that special payments to creditors may be made



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with the express approval of the accounting officer if he or she is satisfied that there are compelling reasons for making such payments;

[5] 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 a particular payment.

5. PAYMENTS TO COUNCILLORS/STAFF

1] In the case of subsistence and travel claims submitted by councillors and staff, payments will be effected via the normal salary payment run in the month following the travelled month, Provided that such a travel claim is received prior to the date determined by the accounting officer for the processing of salaries.

[3] Where a claim for payment is received from a councillor or staff member after the date determined for the processing of salaries, such claim will be processed in conjunction with the processing of salaries for the next month;

6. THIRD PARTY PAYMENTS

[1] All third parties payments will be paid on or before the 7th following the month at which the expenses were incurred or salaries for previous month paid

[2] Payments for all third parties payments will only effected electronically

[3] All payments must be approved by CFO

7. DELEGATION OF FUNCTIONS AND POWERS

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



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8. PAYMENT PROCEDURES

No.	Procedure	Responsibility
1	<p>The Bookkeeper Expenditure receives the following in batches on a weekly basis: Payment vouchers with corresponding Documents i.e. (.order must correspond with the requisition, quotation and the invoices) from the supply chain office.</p> <p>If the supplier forwards his invoice with the delivery note, the receiving officer should date stamp it and forward it to the Bookkeeper expenditure.</p>	Manager Expenditure
2	All invoices should be signed and date-stamped then signed by Director of user department as proof that goods & services were rendered and forward invoice to the Bookkeeper expenditure.	Accountant Expenditure
3	Each supplier invoice must be matched to a properly approved requisition and order form.	Accountant Expenditure
4	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.	Accountant Expenditure
5	The Accountant Expenditure is responsible for Checking of the adequacy and completeness of documents received from the supply chain office	Accountant Expenditure



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6	If the Accountant Expenditure is not satisfied with the documents received from the supply chain office, he/she must return the payment voucher to the supply chain office.	Accountant Expenditure
7	In the instance that the Accountant Expenditure is still unhappy with the explanations supplied by the supply chain official, the matter must be referred to the chief financial officer via manager expenditure for resolution.	Manager expenditure
8	If the invoice relates to a service that was supplied, the director of the section should verify and sign the invoice to indicate that the service was received.	Receiving officer
9	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 director of the concerned section should sign these invoices after considering the necessity of the expense as well the reasonableness of the amount.	Manager expenditure
10	<p>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:</p> <ul style="list-style-type: none"> · Disclose the total amount payable in terms of the contract; Disclose the total amount of all previous payments in terms of the contract together with the cheque numbers; 	Manager Expenditure



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	<ul style="list-style-type: none"> · Disclose the total payment to date, including the payment being made as reflected in the voucher; · Disclose the balance due; and · Be supported by a certificate from a duly authorised person, that the supplier is entitled to the payment in terms of the contract and the work has been properly performed. 	
11	<p>All payments:</p> <ul style="list-style-type: none"> · Should be effected by cheque or electronic transfer. Apart from petty cash, no payments should be made in cash; and · Should be made either monthly or weekly, and, only under exceptional circumstances, as determined by the Municipal Manager, should a payment be made outside of these intervals. 	Municipal Manager
12	The Accountant Expenditure must print the creditors aging and general ledger creditor's account to verify the completeness of the outstanding payments.	Accountant Expenditure
13	The Manager Expenditure must present the payment listing together with supporting documentation (refer points 3 to 9) to the Chief Financial Officer.	Manager Expenditure
14	The Chief Financial Officer will critically inspect the supporting documentation and identify which payments will be authorised and more importantly which are disputed	Chief Financial Officer



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15	Disputed payments will be returned to the manager expenditure. It is the responsibility of the creditors section to ensure that the supporting documentation is complete	Chief Financial Officer
16	Cheque requisition forms are completed by the Accountant Expenditure for each cheque payment.	Manager Expenditure/Accountant Expenditure
17	These cheque requisition forms will be forwarded to an officer who has been delegated the authority to prepare cheques.	Chief Financial Officer
18	The cheques and the supporting documentation are forwarded to the Municipal Manager and Chief Financial Officer for signing.	Municipal Manager and Chief Financial Officer
19	Disputed payments will be returned to the Accountant Expenditure. It is the responsibility of the creditors section to ensure that the supporting documentation is complete.	Municipal Manager and Chief Financial Officer
20	The Municipal Manager may elect for cheques below a certain amount to be signed by the Chief Financial Officer and Head of the Section concerned. These limits must be formally documented and strictly adhered to.	Municipal Manager
21	The chief financial officer should inspect the documentation and satisfy himself/herself as to the validity of the expense before approving the payment.	Chief financial officer
22	The Chief Financial Officer will cosign the cheque and record the cheque number on the supporting documentation. The documentation should also be stamped as evidence of it being paid.	Chief Financial Officer
23	The cheques should then be posted to or collected by the respective	Chief Financial Officer



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	creditor.	
24	The accountant expenditure must prepare the electronic funds transfer (EFT) for those suppliers that are paid electronically.	Accountant expenditure
25	The Municipal Manager and the Chief Financial Officer must insert passwords to effect the electronic funds transfer after reconciling it to the relevant supporting documents. The Chief Financial Officer must stamp the supporting documentation as paid.	Municipal Manager/Chief Financial Officer
26	The Municipal Manager can elect to adopt the same delegated authorisation limits to the Chief Financial Officer and Heads of Section as set out for the signing of cheques referred to in 20 above.	Municipal Manager
27	In exceptional circumstances, the Municipality may have entered into agreements requiring payment by debit order. These arrangements would have to be authorised by the Chief Financial Officer	Chief Financial Officer
28	The expenditure section should prepare a schedule of all debit orders that were honoured in that respective month. This schedule will form part of the monthly bank reconciliation.	Manager expenditure
29	The Accountant Expenditure will be responsible for providing documentation to support the validity of these deductions.	Accountant Expenditure
30	The schedule accompanied by supporting documentation should be submitted to the Chief Financial Officer for authorization.	Manager expenditure



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31	The Chief Financial Officer and the Municipal Manager would sign this form as evidence that they have inspected the supporting documentation and are satisfied as to the validity of the deduction.	Manager expenditure
32	If any deduction is disputed by the Chief Financial Officer then it will be referred to the Manager expenditure, who will be responsible for following up on all queries with regard to payments	Manager expenditure
33	The Accountant Expenditure is responsible for maintaining all documentation relating to creditor payments.	Accountant expenditure
34	This would include a monthly reconciliation of the creditors	Accountant expenditure

9 Policy review

This policy will be reviewed annually and revised as necessary