

SETSOTO

LOCAL MUNICIPALITY
PLAASLIKE MUNISIPALITEIT
MASEPALA WA LEHAE



CREDITORS POLICY

MARCH 2023

PURPOSE OF THE POLICY

The purpose of the policy is to regulate and to determine the process in terms of how creditors will be managed.

1. OBJECTIVE OF THE POLICY

The objective of this policy is to have a standard payment system in place with clear objectives regarding payment policy and dates which objectives are measurable in terms of customer service.

2. LEGISLATION

In terms of section 60 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA), the Municipal Manager is deemed to be accounting officer of the municipality. This policy fulfils the responsibilities of the accounting officer in terms of section 65(2) of the MFMA which requires the accounting officer to 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 payments of funds.

3. PAYMENT TO CREDITORS/SUPPLIERS

All reasonable steps must be taken to ensure that payments made by the municipality are made direct to the person that supplied the service or to whom the payment is due, unless otherwise agreed upon as approved by the Chief Financial Officer.

The Chief Financial Officer or his/her delegate shall, ensure that all tenders and quotations invited by and contracts entered with by the municipality, stipulate payments terms favorable 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 that all reasonable steps are taken to ensure payment is made within thirty (30) days of the receipt date of the invoice or statement. This rule may be deviated from if there are compelling reasons from either the supplier or the Municipality as approved by the Chief Financial Officer.

In the case of small, micro and medium enterprises, where the total income derived from contract work rendered to Setsoto Local Municipality, does not exceed R 200,000.00, in a municipal financial year, the policy may deviated to effect payment 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, provide that no more than two (2) payments will be effected during

any period of thirty (30) days. This rule may be deviated from if there are compelling reasons from either the supplier or the Municipality as approved by the Chief Financial Officer.

In terms of sect 65(2) (e) of the MFMA all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers /service provider and not settle any accounts earlier than such extended due date, except if the Chief Financial Officer determines that there are financial incentives for the municipality to do so.

Special payments to suppliers/creditors, other than as previously mentioned, shall affected if they are that there are compelling reasons for making such payments prior to the normal month end processing.

All the above payment scenarios referred to are subject to the submission of the correct and relevant supporting documents (e.g. invoice, quotation, requisition order and approval from head of Directorate.

Amounts owed by suppliers/creditors for outstanding service accounts will be deducted from any payments due made in respect of goods and services rendered.

FREQUENCY OF PAYMENT

Two payment runs are to be affected monthly as follows:

The cut-off date means that all original and authenticated invoices received by the said date will be paid by the payment date.

The payment date refers to the last date the payment will be made in relation to all invoices received by the cut-off date.

The cut-off dates will be the tenth (10) and twenty-fifth (25) of each month.

The payment dates will be the fifteenth (15) and the last day of each month.

These dates maybe adjusted during special leave times in respect of Easter and the December holidays.

The rule above may be deviated from as approved by the Chief Financial Officer when the Municipality experience a negative cashflow. Decisions will then be made daily guided by the cash on hand and the needs of Departments.

AGE ANALYSIS

Reconciliation between the supplier's statement and creditor's ledger must be reconciled monthly and all differences must immediately be investigated and rectified. All balances due to administrative errors must also immediately be cleared.

TRAVELING AND SUBSISTENCE CLAIMS IN RESPECT OF EMPLOYEES

No traveling and subsistence claims will be paid by Expenditure section but only through the salary run, except in special occasions where a deviation form must be attached approved by the Municipal Manager and the CFO. In this regard the standard expense form must be captured by the salary division and approved by the manager and must be attached to the claim.

4. PAYMENT METHOD

All creditors must be done via electronic transfer s by EFT.

All suppliers doing business with a municipality must have a valid business banking account and reflected on the original invoice.

8 REVISION OF THE POLICY

The Setsoto municipality's policy must be reviewed and amended, as and when it is necessary, to ensure that it remains relevant.