

# **CEDERBERG MUNICIPALITY**



## **CREDITORS, COUNCILLORS & STAFF PAYMENT POLICY**

**2026/2027**

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## **1. POLICY OBJECTIVE**

The objective of this policy is to provide standard procedures relating to payments due to creditors, councilors and staff from municipal funds.

## **2. LEGISLATIVE REQUIREMENTS**

In terms of section 54 of the Municipal Finance Management Act, Act 56 of 2003, the Municipal Manager as an Accounting Office of the Municipality is responsible for the management of the expenditure of the Municipality and, to this end, must take 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 approved 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 service-delivery and budget implementation plan (SDBIP) must contain revenue 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, authorization withdrawal and payment of funds;
- (b) that the Municipality has and maintains a management, accounting and information system which recognizes 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. Only EFT payments will be made.
- (e) that all money owing by the Municipality be paid within 30 days of receiving the relevant invoice 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 take all reasonable steps according to the MSMA Act No. 56 of 2003 sec5(2) to ensure expenditure management
- (j) that all financial accounts of the Municipality are closed at the end of each month and reconciled with its records.

### **3. DEFINITIONS**

In this policy –

“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 the Cederberg Municipality
“Prescribed”	means prescribed in terms of the Act.

#### **4. 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, authorization 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.

#### **5. PAYMENTS TO CONTRACTORS / SUPPLIERS / CONSULTANTS**

- (1) The Accounting Officer must ensure: -
  - (a) That all payments made by the Municipality are made direct to the person or creditor that has supplied the relevant service or goods or to whom such payment is due, unless otherwise agreed upon for good reasons in writing;
  - (b) Only electronic payments are made by the Municipality approved by the Director: Financial Services.
  - (c) That all tenders and quotations invited by and contracts entered into by the Municipality, stipulate payment 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 shall be taken to ensure that payments are made within thirty (30) days of the date of receiving an invoice.

- (d) That the creditors settlement terms will be as follows:
  - (i) Standard settlement terms will be thirty (30) days from receiving the creditors invoice.
  - (ii) Payments will be released within fifteen (15) days once 2,5% discount has been allowed.
  - (iii) Payments will be released within seven (7) days once 3,5% discount has been allowed.
  - (iv) Payments will be released within 48 hours once 5% discount has been allowed.

(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 emerging creditors, where the total annual turnover of the creditor for contract works with the Municipality does not exceed the value of R 400 000.00; the payment may be effected within fourteen (14) days of receipt of tax invoice or statement concerned.
- (c) Provide 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;

(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) No payment for the provision of a service, the supply of goods or the execution of work shall be processed unless an original supplier tax invoice containing a reference to the relevant information as the Chief Financial Officer may determine has been received.
- (5) Suppliers' original tax invoices processed for payment shall be certified to represent goods received note (GRN document) to be attached as proof; services rendered or work executed in a manner and to a standard acceptable to the relevant departmental head and where applicable, the relevant contract manager or according to contract.
- (6) Suppliers must submit their tax invoices and delivery notes to the Creditors Accounts Section in the Treasury Office's Creditors Section. 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 retarding of such payment.
- (7) The Accounting Officer not ordinarily process creditor payments more than twice in each calendar month, i.e. the Wednesday closest to the 15<sup>th</sup> and 30<sup>th</sup> of each month: Provided that special payments to creditors may be made with the express approval of the Accounting Officer if he or she is satisfied that there are compelling reasons for making such payments. Creditors' payments such as catering services, accommodation, travel and training may not be limited.
- (8) 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.
- (9) The suppliers' invoice and/or delivery notes must reflect the municipality's unique order number for the goods purchased and/or services rendered; as well as the VAT registration number (of the municipality); failure which will result to the referred invoice not being processed for payment.
- (10) All the delivery notes must reflect the municipality's Stores stamp and the signature of the Storeman to confirm the delivery of the goods; failure which will result to the referred invoice not being processed for payment.

- (11) No municipal official; Councillor; supplier; contractor and/or consultant will interfere in the processes of creditors' payments not to accentuate the Creditors personnel to process payments outside the normal creditor's payment processes.
- (12) Any Council official who may lose the creditors' payment documents via 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 charges to the municipality.

## **6. PAYMENTS TO COUNCILLORS / STAFFS**

- (1) All travel and subsistence claims submitted by Councillors and staff for payment will be processed in terms of the Council's Travel and Subsistence Policy.
- (2) Subject to the authority of the Accounting Officer; Councillors and staff are permitted to claim the minimum anticipated expenditure prior to travelling, provided that such action will not place an unnecessary work load on the creditors processing section of the Municipality.
- (3) Where a claim for payment is received from a Councillor or staff member after the date determined for the processing of creditors, such claim will be processed in conjunction with the processing of creditors for the next ensuing month.
- (4) Subparagraph (1) may be relaxed in respect of overseas travel approved by the Council and only in respect of the overseas travel and accommodation costs.
- (5) Local subsistence and travel in respect of the overseas trip concerned must be processed in accordance with subparagraph (1).
- (6) The Salaries and Wages Section will only process the referred claims (travel and subsistence and any other payroll related claims) not before the 15<sup>th</sup> of each month to allow financial month-end reporting procedures.
- (7) The processing of overtime; standby and acting allowances will be done so once it has been received by the Salaries and Wages Section before the 7<sup>th</sup> day the intending payment. Failure which, the payment will be processed together with the next month's salary run.

- (8) The salaries payment date shall be the 25<sup>th</sup> or closest working day prior the months of January and November; whereas the December month salaries will be processed on / about the 22<sup>nd</sup> day of the month. But in an event where the 25<sup>th</sup> fall on a weekend and/or Monday; the salaries will be processed on Friday prior to the 25<sup>th</sup>.
- (9) The practice for the processing of salary advances for the municipal Councillors and staff must be forbidden in terms of Section 164 (c) (i) – (iii) of the Municipal Finance Management Act.
- (10) No municipal official and/or Councillor will interfere in the processes of salaries and wages payments nor to accentuate the Salaries and Wages personnel to process payments outside the normal salaries and wages payment processes.

## **7. CESSIONS AGREEMENTS AND THIRD-PARTY PAYMENTS**

- (1) Unless for compelling and substantiated reasons and subject to subparagraphs (2) and (3), only one cession of a payment due to a creditor of the Municipality to a third party may be permitted per contract;
- (2) A cession approved in terms of subparagraph (1) must relate to the supply of raw materials associated with a project undertaken by a creditor on behalf of the Municipality and not in respect of the provision of other services;
- (3) Cessions in terms of subparagraph (1) are limited to a maximum of 30% of the total project contract sum.

## **8. 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.