

**MBHASHE MUNICIPALITY**  
**CREDITORS, COUNCILLORS AND STAFF PAYMENT POLICY**



## TABLE OF CONTENTS

1.	OBJECT .....	2
2.	LEGISLATIVE REQUIREMENTS .....	2
3.	DEFINITIONS .....	2
4.	GENERAL.....	2
5.	PAYMENT TO CREDITORS/SUPPLIERS.....	3
6.	PAYMENTS TO COUNCILLORS/STAFF.....	5
7.	CESSIONS AGREEMENTS AND THIRD PARTY PAYMENTS.....	5
8.	DELEGATION OF FUNCTIONS AND POWERS .....	6

## 1. OBJECT

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

## 2. 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.

## 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 Mbhashe Municipality

**“prescribed”** means prescribed in terms of the Act

## 4. GENERAL DUTY 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 payments.

## **5. PAYMENT 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; Any cession of payments to be advised of before orders are finalised.
- [b]** that payments by the Municipality are made either electronically or by way of non-transferable cheques, provided that payments by way of cash cheques may be made for exceptional reasons only
- [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 that all reasonable steps shall be taken to ensure that payment is made within thirty [30] days on receipt of the date of the invoice or statement concerned.

**[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 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;

**[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]** 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.

## **6. 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 of the anticipated travel: Provided that such a travel claim is received prior to the date determined by the accounting officer for the processing of salaries.
- [2]** 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 ensuing month;
- [3]** 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.
- [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]** When third parties are used, all substantiated documentation and proof of payment must be supplied to the head of the creditors section

## **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 amount to be approved by the HOD responsible for the project.

## **8. DELEGATION OF FUNCTIONS AND POWERS**

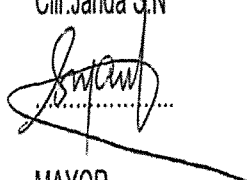
The accounting officer may, in terms of section 79 of the Act, delegate his or her functions and powers in terms of this policy to the Chief Financial Officer.

Approved by Council and Signed by:

  
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**Mr NAKO M  
ACTING MUNICIPAL MANAGER**

07/08/12  
.....  
**DATE**

Cllr. Janda S.N  
  
.....  
**MAYOR**

07/08/12  
.....  
**DATE**