



UMASIPALA
MUNICIPALITY
MUNISIPALITEIT

PAYMENT POLICY

2020/2021

INDEX

	Page No.
1. Definitions	3
2. Objective of the Policy	3
3. Legislative Requirements	3
4. Payment to Creditors/Suppliers	4
5. Payment of Accommodation	5
6. Cession Agreements Ad 3 rd Party Payments	5
7. Out of Pocket Expenditure	6
8. Advances	6
9. Compliance and Enforcement	6
10. Effective Date	6
11. Policy Adoption	6

1. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning

“**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**” the municipal manager of a municipality for the purposes of this policy in relation to a municipality, and includes a person acting as the accounting officer

“**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 Abaqulusi Municipality.

2. OBJECTIVE OF THE POLICY

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

This policy applies to the AbaQulusi Municipality, its Councillors, officials and all those that derive payment from the Council.

3. LEGISLATION

In terms of Section 60 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA), the Municipal Manager is deemed to be the Accounting Officer of the Municipality. This policy fulfills the responsibility 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 payment of funds.

4. PAYMENT TO CREDITORS/SUPPLIERS

- 4.1 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 by the Chief Financial Officer.
- 4.2 The Chief Financial Officer must ensure that payments by the Municipality are made electronically, provided that cash payments and cash cheque payments may be made for exceptional reasons only, and only up to a prescribed limit.
- 4.3 The Chief Financial Officer shall, ensure 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 are taken to ensure payment is made within thirty (30) days of the date of statement.
- 4.4 This rule shall be departed from only where there are financial incentives to the benefit of the Municipality, and as approved by the Chief Financial Officer, before any payment is made.
- 4.5 In the case of small, micro and medium enterprises, where the total income derived from contract work rendered to the AbaQulusi Municipality, does not exceed R100 000,00 in a municipal financial year (July to June), the policy may be 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, provided that no more than two payments will be effected during any period of thirty days. Any such early payment shall be approved by the Chief Financial Officer before any payment is made and payment will only be after one working day of the invoice being received by the Chief Financial Officer.

- 4.6 In respect of all other service providers/suppliers the thirty day after date of statement policy will prevail.
- 4.7 Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers 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.
- 4.8 The Chief Financial Officer shall not process ordinary creditor payments more than twice in each calendar month, except in the last financial month of a year when a weekly creditor payment run will be done, such processing periods to be at the discretion of the Chief Financial Officer. Wherever possible, payments shall be effected by means of electronic transfers rather than by non-transferable cheques. Special payments to suppliers/creditors, other than as previously mentioned, shall only be made with the express approval of the Chief Financial Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.
- 4.9 All the above payments are subject to the submission of the correct and relevant paperwork being submitted to the creditors section timeously. Head of Departments must take all reasonable steps to ensure that invoices are submitted to **Chief Financial Officer/Creditors Section** within 7 days of receipt.

5. PAYMENT OF ACCOMMODATION

- 5.1 In the case of accommodation, payments will be made via electronic transfer the day before the anticipated trip, provided that such accommodation invoices have been signed by relevant Head of department and received by the creditors section forty-eight hours before the anticipated trip. Accommodation will be paid directly to the institution and the Councillor / Official will provide the invoice/proof of stay to the creditors section within forty-eight hours of return.

6. CESSION AGREEMENTS AD 3RD PARTY PAYMENTS

- 6.1 It is recommended that only one cession per contract be allowed.

- 6.2 That it only be done prior the approval by the Municipal Manager and Chief: Financial Officer.
- 6.3 Those cessions be approved only on the supply of raw materials directly related to the project and not on the services.

7. OUT OF POCKET EXPENDITURE

- 7.1 Claims regarding the above must be submitted within 48 hours of return.
- 7.2 Claims must be accompanied by the necessary claim forms and proof of expenditure.

8. COMPLIANCE AND ENFORCEMENT

- a) Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken as per the Municipality's disciplinary code of conduct.
- b) It will be the responsibility of Accounting Officer to enforce compliance with this policy.
- c) This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

9. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

10. POLICY ADOPTION

This policy has been considered and approved by the **COUNCIL OF ABAQULUSI MUNICIPALITY** as follows:

Resolution No:

Approval Date: