

MORETELE LOCAL MUNICIPALITY



DRAFT TRADE PAYABLES FINANCIAL YEAR 2026-2027

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1. PURPOSE OF POLICY

1.1. The purpose of this Policy is.

2. DEFINITION AND ABBREVIATIONS

1.1. Abbreviations

“**TP**” - Trade Payable

“**EDI**” - Electronic Data Interchange

“**EFT**” - Electronic Funds Transfer

“**GRN**” - Goods Received Note

“**PDF**” - Portable Document Format

“**SARS**” - South African Revenue Services

“**SCM**” - Supply Chain Management

“**VAT**” - Value Added Tax

“**PSRM**” - Public Sector Records Management

“**IDP**” - Integrated Development Plan.

1.2. Definitions

“**Accounting Officer**” means a person appointed in terms of section 54A of the Municipal Systems Act.

“**Accounts Payable**” means money owed by an organization to its supplier/s (Trade Creditors) for goods and services purchased on credit. Also referred to as the responsible unit dealing with supplier payables.

“**A Construction Contract**” means a contract specifically tendered/ negotiated for the construction of an asset or the maintenance of assets that necessarily takes a substantial period of time to complete and may stretch over more than one financial year.

“**Municipality**” means the Moretele Local Municipality

“**Credit Note**” means a document provided by a supplier, stating that a certain amount has been credited to the Municipality’s account due to supplies

returned.

“Disbursement Transaction” means the payment of invoices received for goods and services.

“Electronic Fund Transfer” means the electronic movement of funds from the Municipality’s main bank account to the different suppliers’ bank accounts in the same or different banks, through the use of wire transfer, automatic teller machines or computers but without the use of paper documents.

“Goods Receipt Note” means a confirmation document by the receiving department or requisitioner that shows that the ordered goods/services were received. It is used along with a purchase order (PO) in the "three-way match" to authorize invoice payment.

“Invoice” means a non-negotiable commercial instrument issued by a supplier to the Municipality identifying both trading parties, lists/describes and quantifies the items/services provided, and shows the date of supply together with prices, discounts (if any), delivery and payment terms.

“MFMA” means Municipal Finance Management Act No 56 of 2003.

“Payment” means the partial or complete discharge of an obligation by its settlement in the form of the transfer of funds on an approved outstanding invoice.

“Purchase Order” means the Municipality’s official authority to deliver goods and/or services at a specified price, place, time and terms.

“Registry Section” means depository for the receiving of invoices and statements for distribution to the processing staff and the safekeeping of such documents for audit purposes.

“Statement” means summary of all transaction’s debits or credits with a supplier that occurred during the previous month and their effect on an open-account balance. It is also called a statement of account.

“Sundry Invoices” means invoices which relate to ad hoc and/or once off payments, which are not linked to a SAP purchase number.

“Tax Invoice” means the elements of what depicts a valid Tax Invoice. Refer to SARS VAT 404 – Guide for Vendors

“VAT” means Value Added Tax. VAT is a consumption tax levied on goods and services at each step of the production/distribution cycle. An indirect tax,

VAT is paid by manufacturers, distributors and retailers when they receive goods in their inventories. Businesses are able to recover VAT payments through tax deductions, with the cost of the tax ultimately paid by the end-consumer.

“Supplier Database” means a central data base maintained and managed by Supply Chain Management Directorate.

3. POLICY STATEMENT

- 3.1. In compliance with the Municipal Finance Management Act (No. 56 of 2003), Local Government: Municipal Systems Act (No. 32 of 2000), the King IV Code on Corporate Governance in South Africa (2009) and any other applicable legislation, the Municipality must establish and maintain an adequate internal financial management control system.
- 3.2. Section 65 of the Municipal Finance Management Act states that the Accounting Officer of a municipality is responsible for the management of the Expenditure of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, hence this policy.
- 3.3. The Accounts Payable Policy document serves to support the concept of cost containment and control measures necessary within Accounts Payable.
- 3.4. Further it is deemed:
 - 3.4.1. an information document that ensures that the users of the Accounts Payable service have an understanding of what is required.
 - 3.4.2. A working document to make Accounts Payable processes more effective.

4. DESIRED OUTCOME

- 4.1. The main desired outcome of this policy is to ensure the Municipality's compliance with Section 65 (2) (e) of the MFMA which requires that the Accounting Officer must take all reasonable steps to ensure: -
 - 4.1.1. That all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

- 4.1.2. Further, to comply with all applicable provisions of MFMA including any National Treasury Circulars/Guidelines specifically adopted by Council in terms of MFMA, the alignment to good practices and norms and standards enabling the ease of reporting.

5. PURPOSE

- 5.1. The purpose of this policy is to prescribe a process to be followed for control and processing of all payments in terms of the Municipal Finance Management Act, Act no 56 of 2003.

6. SCOPE OF APPLICATION

- 6.1. This Policy is applicable to: - All official payments made by the Municipality to Suppliers of the Municipality or other duly authorized payments.
- 6.2. Exceptions to this policy may be considered on receipt of fully motivated applications in this regard for consideration by the delegated authority.

7. REGULATORY CONTEXT

- 7.1. This policy is developed and guided by the following Legislations and Regulations, amongst others: -
- 7.1.1. Municipal Finance Management Act (MFMA), Act No. 56 of 2003
 - 7.1.2. Value Added Tax Act 89 of 1991
 - 7.1.3. Preferential Procurement Policy Framework Act 2000 (Act 5 of 2000)
 - 7.1.4. Preferential Procurement Regulations, 2001
 - 7.1.5. Local Government: Municipal Systems Act (Act No. 32 of 2000)
 - 7.1.6. Provincial Archives and Records Services of SA Act
 - 7.1.7. Income Tax Act 58 of 1962 (as amended)
 - 7.1.8. King Code IV of Corporate Governance
 - 7.1.9. Integrated Development Plan
 - 7.1.10. Moretele Local Municipality System of Delegations
 - 7.1.11. Supply Chain Management Policy (Incorporating Preferential

Procurement)

7.1.12. Credit Control & Debt Collection Policy

7.1.13. Applicable by-laws

7.1.14. By the direction of this Credit Control & Debt Collection Policy and when requested by Revenue Department, Accounts Payable deducts arrears from any service provider.

8. ROLE PLAYERS AND STAKEHOLDERS

8.1. The principal player is the Finance Directorate. The Expenditure Department will be responsible for implementing this policy and administering its implementation and evaluation.

8.2. Line Departments have the onus to ensure that all contractual obligations and relevant documents are in place in support of approval of payments.

9. POLICY DIRECTIVE DETAILS

9.1. trade creditors order payments

9.1.1. Goods and services for the Moretele Local Municipality will be procured by means of an official order in accordance with the Supply Chain Management Policy.

9.1.2. The Procure to Pay process is designed to limit risks of unauthorized purchases and improve budgetary control of the Municipality's expenditure.

9.1.3. Invoices with reference to an official purchase order shall be accepted for the processing of a payment.

9.1.4. Should the supplier be VAT registered then invoices must be SARS compliant. This will be verified through the CSD.

9.1.5. Accounts Payable process these payments in good faith using the 3-way match principle (The 3-way match consists of the unit price and quantity on the PO; the quantity entered in the goods receipt and the quantity and value of the invoice.)

9.1.6. Line departments must ensure that relevant supporting

documents (Invoice not more than 30 days, delivery note, Purchase order, contract or SLA if its contract) are available on request including for audit purposes.

10. SUNDRY PAYMENTS

- 10.1. Sundry Payments are allowable exceptions to the Formal Procurement Procedures as stipulated in the Supply Chain Management Policy under the heading: Deviation from the Procurement Processes.
- 10.2. Sundry Payments relate to specific disbursements that cannot be processed using the Procure to pay process and therefore not linked to an official Purchase Order.
- 10.3. These also include Ad hoc payments relating to refunds to individuals and to third parties
- 10.4. All VAT registered suppliers must submit SARS compliant invoices.
- 10.5. Sundry payment requests submitted for payment must be accompanied by a duly completed and authorized original Payment Request Form by the delegated authority with detailed supporting documents to validate the request for payment.
- 10.6. All Sundry payment requests are reviewed frequently in a bid to follow the Procure to pay process.
- 10.7. Accounts Payable accepts the Payment Request forms and using the workflow approval process (The workflow approval process for single cost centers allows the Cost Centre owner to consider the approval of sundry payments whilst multiple Cost Centre transactions are processed directly in good faith based on the duly approved payment request forms and related supporting documents).By signing the payment request form , the Head of Department confirms that the service / goods have been received in good order.
- 10.8. Line departments must ensure that any additional relevant supporting documents are available on request, including for audit purposes.

11. PROCESSING OF PAYMENTS

- 11.1. The expenditure section is responsible for processing disbursement transactions by means of electronic transfers and adhoc cheque payments.
- 11.2. Payment for refunds are made for overpayments claimed, undelivered services and other sundry refunds.
- 11.3. The processing of payments will adhere strictly to the official payment terms of Moretele Local Municipality
- 11.4. The Phoenix system will allow for the electronic authorization of invoices and delivery notes, by means of a workflow process within the finance department (e.g. GRN or invoice captured by official, and another approve the GRN or the invoice and a 3rd authorize the payment)
- 11.5. An internal control system and segregation of duties, including sound personnel practices and standard operating procedures reducing the risk of errors and fraud will be maintained. The Expenditure Section is responsible for the payment of approved disbursements.
- 11.6. Frequency of payments will be affected as follows: -
 - 11.6.1. Goods and Services – Bi-Weekly cycle (within 30 days after invoice date)
 - 11.6.2. Construction Related -Bi-weekly cycle (within 30 days after invoice date)
 - 11.6.3. Refunds – Daily – in line with the predetermined payment runs
 - 11.6.4. Settlement Discounts (Approved) – Daily cycle
 - 11.6.5. Earlier Payments - Payments will be made in line with the approved conditions of the payment agreement.
- 11.7. **REGISTRY**
 - 11.7.1. The receiving of all invoices delivered to the Accounts Payable Registry in Moretele, either by hand or posted to Private Bag X367, Makapanstad 0404, Municipal Offices 4065B Mathibestad. These are then date stamped and scanned to

initiate workflow. These documents will be retained and disposed of as per Corporate Registry prescriptions.

11.7.2. Electronically received documents are automatically stored in Phoenix and forwarded for processing.

11.7.3. All documentation received can be viewed digitally in Phoenix.

11.8. PAYMENT TERMS FOR GOODS AND SERVICES (In line with SCM Policy)

11.8.1. Payment of invoices will be made within 30 days of receiving the relevant invoice or statement, unless otherwise prescribed for certain categories of expenditure or specific contractual requirements in accordance with any other applicable policies of the Municipality.

11.8.2. Earlier payments to suppliers is not supported in terms of this policy. A supplier may submit a fully motivated application in this regard to the Chief Finance Officer or their delegated authority for consideration. Requests for earlier payments will be considered at the sole discretion of the delegated authority, including discounts.

11.8.3. Notwithstanding anything contained above, the Municipality shall not be liable for payment of any invoice that pre-dates the date of delivery of any goods or services, or the date of certification for construction works.

11.8.4. Should the processing of a payment be delayed due to the late submission of documentation, any penalties imposed will be for the account of the functional business area to explain as to why the invoice is late (submitted outside of the 30 days on the invoice) See **annexure A: Template of motivation**. Any queries will also be referred to such line department.

11.8.5. No official shall commit Council to making a payment outside the official payment terms.

11.8.6. All creditors which have not been claimed will be written off in terms of the Prescription Act 1969. The Prescription Act section 11 states the following:

The periods of prescription of debts shall be the following:

(a) 30 years in respect of—

(i) any debt secured by mortgage bond;

(ii) any judgment debt;

(iii) any debt in respect of any taxation imposed or levied by or under any law;

(iv) any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances;

(b) 15 years in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer

period applies in respect of the debt in question in terms of paragraph (a);

(c) six years in respect of a debt arising from a bill of exchange or other negotiable instrument or from a notarial contract, unless a longer period applies in respect of the debt in question in terms of paragraph (a) or (b);

(d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.

12. SETTLEMENT DISCOUNTS

12.1.1. Settlement discounts are considered, when offered for earlier payment, and will be taken with due cognizance that it will not negatively impact on the Municipality's cash flow status and be of benefit to Council.

12.1.2. The settlement discounts will be recognized as a source of income.

13. RECONCILIATION OF SUPPLIER STATEMENTS

13.1.1. The reconciliation of supplier's monthly statements, when received, will be performed on an ongoing basis. Payments to major suppliers (excluding contractors) will not be made without the submission of supplier statements.

13.1.2. Reconciliation of suppliers will be performed on all suppliers who provide supplier statements.

14. YEAR END PROCESS

- 14.1.1. Year-end Processes are guided by the Annual Directives issued by the Municipality's Reporting Department.

15. GRN'S

- 15.1.1. The administration of GRN's is the responsibility of line department where all original signed/approved source documents are retained for audit purposes.
- 15.1.2. GRN's must be completed immediately after the goods and services have been satisfactorily delivered.
- 15.1.3. GRN's should be processed using a delivery note and/or if not supplied, a Copy Invoice received from the Supplier. Any other form of proof of delivery may also be used.
- 15.1.4. It is compulsory for all relevant and acceptable supporting documents to be attached to the electronic GRN as assurance and validation before posting is allowed.
- 15.1.5. Expenditure is responsible for the processing of invoices. When the goods/services received have been correctly processed on phoenix, the invoice will meet the 3-way match and will be successfully processed. (The 3 –way match consists of the unit price and quantity in the PO; the quantity entered in the goods receipt and the quantity and value of the invoice.)

16. INTEREST ON LATE PAYMENTS

- 16.1.1. No interest will be payable by the Municipality on any late payments, regardless of nature, unless approved by Council or directed by the Court of Law.
- 16.1.2. In cases where the interest charge is due to the negligence of an official, the expenditure will be classified as fruitless and wasteful expenditure.

17. IMPLEMENTATION, EVALUATION AND REVIEW

- 9.1. This policy framework is important for the Financial Compliance of the Municipality. It provides an all-inclusive administrative procedure for the management of Accounts Payable.
- 9.2. The revised Accounts Payable Policy shall be implemented once approved by Council.
- 9.3. Directorates must ensure that during implementation stages of the policy, there is consistent monitoring and evaluation of the policy as indicators will prevent blockages within the policy implementation phases.