

# **MASILONYANA LOCAL MUNICIPALITY**

## **POLICY GOVERNING PAYMENTS of CREDITORS, COUNCILLORS and OFFICIALS**



**(DRAFT)**

(FOR IMPLEMENTATION ON 1 JULY 2017)

## 1 DEFINITION AND ABBREVIATIONS

“**Act**” means the Local Government: Municipal Finance Management Act, 56 of 2003;

“**Accounting Officer (MFMA)**”

- (a) in relation to a municipality, means the municipal official referred to in section 60; or
- (b) the incumbent appointed in terms of section 82 of the Municipal Structures Act 117 of 1998;

“**Budget Year**” means the financial year for which an annual budget is to be approved in terms of section 16 (1);

“**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;

“**Creditor**” means a person to whom money is owing by the Municipality;

“**Financial Year**” means a year starting 1 July & ending 30 June;

“**MFMA**” means the Local Government Municipal Finance Management Act No. 56 of 2003;

“**Municipal Council**” or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

“**Municipality**”

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“**National Treasury**” means National Treasury established by section 5 of the Public Finance Management Act.

“**Prescribed**” means prescribed in terms of the MFMA.

## 2 OBJECT

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

## 3 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.

Section 3 of the MFMA states that;-

- (1) the Act applies to-

- (a) All municipalities;
- (b) All municipal entities;
- (c) National and provincial organs of state to the extent of their financial dealings with municipalities.

(2) In the event of any inconsistency between a provision of this Act and any other legislation in force when this Act takes effect and which regulates any aspect of the fiscal and financial affairs of municipalities or municipal entities, the provision of this Act prevails.

#### **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;
  - (b) that payments by the Municipality are made either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;
  - (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 of the date of the receipt of statement confirming the invoice concerned.
- 2) Notwithstanding the above and section 3 of the MFMA which gives precedence over other legislation and includes the applications of the act to other national and provincial organs of state to the extent of their financial dealings with municipalities the provisions in [1] above is excluded for statutory payments which must be paid on or before due date.
- 3) The provisions of subparagraph 1 [c] above 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 per contract 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;
- (c) in cases where early payment is necessary such as travel, accommodation and training
  - 4) 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;
  - 5) The accounting officer may not ordinarily process creditor payments, more than twice in each calendar 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;
  - 6) 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) The municipality will deduct from the official's salary ONLY if the deduction meets a definition of statutory payments ,except in a case where the court instructed the municipality to implement the garnishee order
- 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) Salaries and wage payments are processed between the 18<sup>th</sup> of each month prior to final salary run
- 7) Payroll system cut-off date will be the 17 of each month, any salaries and wages related supporting documents received after cut-off date will be processed in conjunction with the processing of salaries for the next month
- 8) Salaries of the municipality is paid on the 28 of each month, if that date falls within weekend or holiday, a Friday preceding that date and/or a day preceding a holiday will be used

## 7 CESSIONS AGREEMENTS AND THIRD PARTY PAYMENTS

- a) 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;
- b) 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;
- c) 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 or his delegate.

## 9 IMPLEMENTATION, EVALUATION AND REVIEW

- (a) This policy shall be implemented once approved by Council.
- (b) Directorates/ departments are to ensure that during implementation stages that there is consistent monitoring & evaluation of the policy as indicators will inform blockages within the policy implementation phases.
- (c) In terms of section 17(1)(e) of the MFMA this policy must be reviewed on an annual basis and the reviewed policy tabled to Council for approval as part of the budget process.
- (d) Changes in legislation must be taken into account for future amendments to this policy.
- (e) Any amendments to this policy must be re-submitted to council for review and approval.

## 10 POLICY ADOPTION

This policy has been considered and approved by the Council of **Masilonyana Local Municipality** on this day..... of ..... 20

This policy will take effect at **Masilonyana Local Municipality** on this day..... of .....July 2017.

### POLICY

- The Accounting Officer will be the custodian of this Policy.
- All changes must be distributed to all the relevant role players

The Accounting Officer must ensure that this policy when reviewed is submitted firstly to the Mayoral Committee of Masilonyana Local Municipality for consideration and adoption and thereafter to the Council of the Masilonyana Local Municipality for their approval as required.

After changes have been made, the policy must be posted on the municipal website.

The updated hard copies and electronic copies (posted on the Intranet) of the document must be sent at least to the following parties:

- 10.1 Mayor.
- 10.2 Members of Executive Committee.
- 10.3 Accounting Officer.
- 10.4 Chief Finance Officer
- 10.5 Senior Managers
- 10.6 All asset management officials.
- 10.7 All Budget Officials
- 10.8 All Masilonyana Municipality employees who might be affected by the Policy.