

LEKWA TEEMANE LOCAL MUNICIPALITY

“NW396”



CREDITORS, COUNCILLORS AND STAFF PAYMENT POLICY

**ADOPTED BY COUNCIL
31 MAY 2013
RESOLUTION NUMBER: 130/2013**

1. PURPOSE OF THE POLICY

This applies to the Creditors, Councillors, Officials and all those that receive payment from the Lekwa-Teemane Local Municipality Council.

2. OBJECTIVE OF THE POLICY

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

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 accounting officer of the municipality. This policy fulfils the responsibilities 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, authorisation, withdrawal and payments of funds.

4. PAYMENT TO CREDITORS/SUPPLIERS

- ❖ 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 as approved by the Chief Financial Officer.

- ❖ The Chief Financial Officer shall, ensure that all tenders and quotations invited by and contracts entered with by the municipality, stipulate payments 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 are taken to ensure payment is made within thirty (30) days of the date of the invoice or statement.
- ❖ 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 payments is made.
- ❖ In the case of small, micro and medium enterprises, where the total income derived from contract work rendered to Lekwa Teemane Local Municipality, does not exceed R 50,000.00, in a municipal financial year, the policy may 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, provide that no more than two (2) payments will be effected during any period of thirty 30(days. Any such early payment shall be approved by the Chief Financial Office.
- ❖ In respect of all other service providers/ supplies the thirty (30) days payment policy will prevail.
- ❖ Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers /service provider 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.

- ❖ The Chief Financial Officer shall not ordinarily process creditor payments, more than twice in each calendar month, such processing periods to be at the discretion of the Chief Financial Officer. Wherever possible, payments shall preferably be effected by means of electronic transfers rather than by non-transferable cheques.
- ❖ Special payments to suppliers/creditors, other than as previously mentioned, shall effected if they are that there are compelling reasons for making such payments prior to the normal month end processing.
- ❖ All the above payment scenarios referred to are subject to the submission of the correct and relevant supporting documents (e.g. invoice, quotation, requisition order and approval from head of Directorate).

5. PAYMENT TO COUNCILLORS/STAFF

- ❖ In the week of Salary Payments claims must be made prior to the salary closure date for that particular month.
- ❖ Employees and Councillors will, however, be permitted, subject to the authority of the Municipal Manager/Senior Managers, to claim the minimum anticipated expenditure prior to travelling, provided that such action will not place an unnecessary work load on the salaries and expenditure sections.
- ❖ Claims falling outside of this arrangement will be rolled over to the following salary month.
- ❖ This rule shall be departed only in respect of overseas travel approved by Council and will only apply in respect of the overseas travel and accommodation costs. Local subsistence and travel in respect of the overseas trip will be claimed as per paragraph above.

6. CESSIONS AGREEMENTS AND 3rd PAYMENTS

- ❖ That only one cession is allowed per Contract.
- ❖ Those cessions are approved only on the supply of raw materials directly related to the project and not on the services.
- ❖ Cessions will be limited to maximum of 30% of the total contract.

7. PAYMENT METHOD

- ❖ All creditors, councillors and staff payments must be done via electronic transfers by EFT.
- ❖ All suppliers doing business with a municipality must have a valid business banking account.
- ❖ Letter to confirm the existence of the account holder must be confirmed and signed by bank officials on bank letter heads.
- ❖ Issuing of cheques should be limited to R 5,000.00 only.
- ❖ Staff and Councillors should have one bank account for the whole financial year.
- ❖ Cheques above R 5000.00 will be issued only on special request and should be authorized by Chief Financial Officer.

- ❖ All banking details in our Creditors service provider/suppliers data base must be verified annually by requesting letter from suppliers with letter heads or sign affidavit.

8. REVISION OF THE POLICY

The Lekwa-Teemane Local Municipality's creditors, councillors and staff payment policy must be reviewed and amended, as and when it is necessary, to ensure that it remains relevant.