



**Thembisile Hani Local Municipality**

**Procedure Manual: Creditors payments 2022/23**

## 1. Background

The payment cycle of all trade creditors must be strictly maintained as required by the Supply Chain Management Policy, or as per the payment terms stipulated on individual contract.

If there are incentives such as trade discounts favourable to Council when payments are made before due dates, such incentives, where appropriate must be applied with the agreement of the Accounting Officer or the Chief Financial Officer.

Wherever possible, payments must be effected by means of electronic transfers rather than by cheques in an attempt of saving in bank charges.

## 2. Creditors Payments

### 2.1 Process summary

Process Definition:	A creditor is an entity, a company or a person of a legal nature that has provided goods, services, or a monetary loan to a debtor. A term used in accounting, 'creditor' refers to the party that has delivered a product, service or loan, and is owed money by one or more debtors.
Process Objective:	To provide guidelines in terms of payment processes to ensure compliance with Legislation, policies and procedures within the
Process Controls & Measurement:	<ul style="list-style-type: none"> <li>• SCM policy</li> <li>• Cash management policy</li> </ul>
Process Actors:	Chief Financial Officer, Assistant Manager Expenditure Chief Accountant Expenditure, Senior Clerk Expenditure, Accountant Expenditure, Intern Assigned to Expenditure department, Municipal Manager or Any other delegated signatory must be the secondary authoriser  SCM department
Documents:	<b>Input / Output</b> <ul style="list-style-type: none"> <li>• Order, Requisition, Supplier's delivery note, Goods received note and Supplier's invoice, Payment request, Payment voucher, Service level agreement</li> </ul>

### 2.2 Standard operating procedures

Step number	Procedure/Task	Reference	Responsible person
1.	The Expenditure Section receives the payment request batches on daily basis. Upon receipt of the batch, the Senior Clerk shall check the following:- 1) That the order corresponds with the requisitions, the supplier's delivery note and the stamped invoice from the supplier with the approved internal goods received note (GRV) from Supply Chain section. 2) That at least one quotation is attached for any orders that are above R500.00 but not exceeding R2000.00.	Payment request batches which includes the following attachment per batch: <ul style="list-style-type: none"> <li>• Quotations</li> <li>• Requisition</li> <li>• Order</li> <li>• Supplier's delivery note</li> <li>• Goods received voucher</li> <li>• Supplier's invoice</li> </ul>	Senior Clerk Expenditure Accountant Expenditure Intern Assigned to Expenditure department  SCM department

	<p>3) That three quotations are attached for any orders that are between R2000.00 to R30 000.00. If the batch contains only one or two quotations, a deviation memorandum that is approved by the Municipal Manager must be attached to the batch.</p> <p>4) A public notice was placed for orders above R30 000.00. If not, the batch must have a deviation memorandum that is approved by the Municipal Manager.</p> <p>5) Ensure that the funds in the vote to be used to make the payment have been verified by the Budget Section.</p>		
2.	If the payment fails the above test, the Senior Clerk shall return the payment request to the Supply Chain Management Section.	Payment request	Senior Clerk Expenditure / SCM department
3.	If the payment request batch is correct the Senior Clerk shall sign the payment register and submit the documents to the Accountant.	Payment register	Senior Clerk Expenditure (Accountant)
4.	The Accountant is responsible for checking the adequacy and completeness of documents received from Senior Clerk (refer step number 1 to 3)		
5.	If the payment request document is adequate and complete, the Accountant shall compile the payment voucher; indicating the Supplier's name, appropriate vote to be used and the amount to be paid to the supplier and forward to Chief Accountant for verification	Payment voucher	Accountant Expenditure Chief Accountant Expenditure
6.	The Accountant shall take the payment voucher documents to the responsible departmental head or his designate to sign the invoices as an acknowledgement of goods received.	Payment voucher	Accountant Expenditure
7.	Where a service is rendered regularly in terms of a standing contract or where continuing services such as water are provided, order forms will not be required; however, verification of the appropriate vote to be used is required. The responsible departmental head or his designate should sign the attached invoice with the payment voucher after agree to the amount charged on the invoice.	Contract/service level agreement	Accountant Expenditure

8.	<p>Projects - An initial or progress payment shall not be considered an advance but shall be brought into account as a direct charge to the appropriate vote verified by Budget Section. The voucher pertaining to such payment shall:</p> <ul style="list-style-type: none"> <li>• Accountant must perform progress claim reconciliation</li> <li>• Reconcile the total amount payable in terms of the contract;</li> <li>• Disclose the total payment to date, including the payment being made as reflected in the Voucher;</li> <li>• The voucher should be supported by: <ul style="list-style-type: none"> <li>○ A certificate from a duly authorised person, that the supplier is entitled to the payment in terms of the contract or work done for the project.</li> </ul> </li> </ul>	Payment certificate and voucher	<p>Accountant –compiler</p> <p>Chief Accountant – verifies</p> <p>Assistant Manager Expenditure - Authorises the correctness on the claim calculations</p>
9.	<p>All payments:</p> <ul style="list-style-type: none"> <li>• Shall be effected by means of a cheque or an electronic transfer.</li> <li>• Apart from petty cash, no payments shall be made in cash;</li> <li>• Payments shall be made either weekly or monthly,</li> <li>• Under exceptional circumstances, as determined by the Municipal Manager, shall payments be made outside the above mentioned intervals.</li> </ul>	Payment voucher and supporting documentation	Chief Financial Officer
10.	<p>The Accountant must compile payments to be made together with the supporting documentation (refer step 1 to 9) and submit to the Chief Accountant or Assistant Manager Expenditure for verification.</p>	Payment voucher and supporting documentation	Assistant Manager Expenditure
11.	<p>Dispute payments will be returned to the Accountant. It is the responsibility of the Accountant to ensure that supporting documentation are accurate and complete.</p>	Payment voucher and supporting documentation	Accountant Expenditure Chief Account expenditure
12.	<p>The Assistant manager must present the payments vouchers together with supporting documentation (refer step 1 to 9) to the Chief Financial Officer for Approval.</p>	Payment voucher and supporting documentation	Chief Financial Officer Designate Assistant Manager Expenditure
13.	<p>Upon receipt of approved payment vouchers, the following shall occur:</p> <p><b>Cheque payments</b></p>	Approved payment	Senior Clerk Expenditure

	<p>Assistant Manager Expenditure must sign the general ledger to verify the correctness of the financial systems transaction</p> <p>For all payments to be made by means of a cheque, the Senior Clerk / Accountant Expenditure shall furnish the cheque with the following information:-</p> <ol style="list-style-type: none"> <li>1) The Suppliers' name,</li> <li>2) Amount to be paid,</li> <li>3) Date</li> </ol> <p>The completed cheque will be forwarded together with the supporting documentation to the assigned signatories, Chief Financial Officer and Municipal Manager.</p>		<p>Accountant Expenditure</p> <p>Chief Accountant Expenditure and Assistant Manager Expenditure</p>
14.1	<p>The expenditure department shall capture the transaction on the financial system before the cheques and EFT payments are released.</p> <p>The Chief accountant and Assistant Manager expenditure must sign to verify and confirm the payment.</p>	Cheques and EFT payments	<p>Chief Financial Officer Municipal Manager Any other delegated signatory must be the secondary authoriser</p>
14.2	<p>Thereafter, the Cheque shall be submitted to the Assistant Manager Expenditure to authorise the payment on the system, print and attach to the payment voucher.</p>	Cheques and EFT payments	<p>Chief Financial Officer Municipal Manager Any other delegated signatory must be the secondary authoriser</p>
14.3	<p>The Expenditure Section shall record the cheque number on the supporting document and on the cheque register book.</p>	Cheque register	<p>Senior Clerk &amp; Accountant Expenditure</p>
15.	<p>The Chief Financial Officer elect to delegate EFT Payment authorisation limit for the EFT payments to Assistant Manager Expenditure and Assistant Manager Budget.</p>	EFT payments	<p>Chief Financial Officer</p>
16.	<p><b><u>EFT Payments</u></b> Upon receipt of approved payment voucher the Accountant Expenditure/Senior Clerk Expenditure shall capture the payment on the Cash book.</p>	<p>EFT Approved payment voucher Cash book</p>	<p>Chief Financial Officer Designate Senior Clerk &amp; Accountant Expenditure</p>
17.	<p>The Accountant/Senior Clerk shall give the documents to the Chief Accountant Expenditure to check the Following:</p> <ul style="list-style-type: none"> <li>• name of the supplier,</li> <li>• amount, vat amount,</li> <li>• vote no,</li> <li>• description and</li> <li>• banking details against what has been captured on the system.</li> </ul>	EFT Approved payment voucher	<p>Chief Financial Officer Designate (Chief Accountant Expenditure)</p>

18.	After verification, the Chief Accountant shall give the documents to the Assistant Manager Expenditure to authorise the information captured on the system (Munsoft), print the information captured and attach to the payment voucher.	EFT Approved payment voucher Cash book	Chief Financial Officer Designate Assistant Manager Expenditure
19.	Upon receipt of the authorised payment vouchers from the Assistant Manager Expenditure, Accountant/Senior Clerk shall capture the payment on the Nedbank system (EFT payment)	EFT Approved payment voucher	Chief Financial Officer Designate Senior Clerk & Accountant Expenditure
21.	The Chief Financial Officer/ Assistant Manager Expenditure must insert password to effect the electronic funds transfer after reconciling it to the relevant supporting documents (NB: Only two people need to authorise for the payment to be paid).	EFT Approved payment voucher	Chief Financial Officer & Assistant Manager Expenditure
22.	As soon as payment is made through the EFT, the Accountant Expenditure shall print proof of payment and attach it to the payment voucher.	Proof of payment voucher	Chief Financial Officer Designate Accountant Expenditure
23.	The Accountant shall submit the payment voucher to the Assistant Manager to update the payment on the Munsoft system.	Proof of payment voucher Cash book	Chief Financial Officer Designate Assistant Manager Expenditure
24.	In exceptional circumstances, the municipality may have entered into agreements requiring payment by debit order. These arrangements would have to be authorised by the Chief Financial Officer.	Payment voucher Cash book	Chief Financial Officer
25.	The payment voucher accompanied by the supporting documentation of the debit order payments shall be submitted to the Assistant Manager Expenditure for verification.	Payment voucher Cash book	Chief Financial Officer Designate Assistant Manager Expenditure
26.	The payment voucher accompanied by the supporting documentation of the debit order payments shall be submitted to the Chief Financial Officer for approval.	Payment voucher Cash book	Chief Financial Officer
27.	Upon receipt of approved debit order payments, the Accountant or Senior Clerk shall capture the payment details into the system (Munsoft)	Payment voucher Cash book	Chief Financial Officer Senior Clerk and Accountant Expenditure
28.	The Chief Accountant shall check what has been captured on the system against the supporting documentation to ensure that there are no differences.	Payment voucher Cash book	Chief Accountant Expenditure

29.	The Assistant Manager Expenditure shall authorise the captured information.	Payment voucher Cash book	Assistant Manager Expenditure
30.	<p>The payment section is responsible for maintaining all documents relating to creditors payments.</p> <p>This would include a monthly reconciliation of the creditor's statement to the accounting records maintained by the Municipality.</p>	<p>Supporting documentation to payment Monthly creditors reconciliations</p>	<p>Senior Clerk expenditure Accountant Expenditure Chief Accountant Expenditure Intern Assigned to Expenditure Assistant Manager Expenditure</p>