

MATJHABENG LOCAL MUNICIPALITY



FINAL ACCOUNTS PAYABLE POLICY 2026/27

Date of approval:

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1. DEFINITIONS AND ABBREVIATIONS

Accounting Officer	means a person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA.
Payable	means money owed by an organization to its supplier/s (Trade Creditors) for goods and services purchased on credit.
Matjhabeng Local Municipality	means the municipality established in terms of Establishment Notice No. XX of date, issued in terms of the local Government: Municipal Structures Act, 1998, or any structure or employee of the Municipality acting in terms of delegated authority.
Invoice	means a non-negotiable commercial instrument issued by a supplier/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

Order	means the Municipality's commitment to procure goods and/or services at a specified price, place, time, and terms.
Statement	means summary of all transactions 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.
Archives Section	means depository for the receiving of invoices and statements for the safekeeping of such documents for audit purposes.
Sundry Invoices	means invoices which relate to ad hoc or once off payments, which are not linked to an order/GRN number.
Tax Invoice	means the elements of what depicts a valid Tax Invoice as required by the South African Revenue Services.
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 can 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
Reconciliation	means a general ledger account assigned to the supplier account master record to record all transactions in the sub ledger

Line Department	means all other Municipality Directorates
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2. INTRODUCTION

The Municipal Finance Management Act, (Act 56 of 2003) read together with the Municipality Budget and Reporting Regulations, provides the legislative framework within which any expenditure related transactions must take place. Section 11 of the Municipal Finance Management Act, (Act 56 of 2003) specifically provides the legislative framework for any withdrawals from any bank account in the name of the municipality. The budget plays a critical role to realize the diverse community needs. Central to this, the formulation of this expenditure policy must ensure that the objectives of the MFMA as set out in section 2, is incorporated in the day-to-day administration of the municipality. This policy must be read, interpreted, implemented, and understood against this legislative background.

3. SCOPE OF APPLICATION

- This procedure is applicable to Expenditure and Payable officials, all Matjhabeng Local Municipality line department officials, Suppliers of the Matjhabeng Local Municipality and other who duly authorize payments.
- Exceptions to this policy may be considered on receipt of fully motivated applications in this regard for consideration by the delegated authority such as Court of Law, Approval by Council, Municipal Manager and Mayor.
- This policy also provides processes to follow to comply with MFMA and the responsibilities of all stakeholders to accomplish that.
- Together with the outlined processes required to pay invoices within 30 days of receipt, it provides payment schedules for reference to all role players to ensure that all necessary actions are taken for successful processing to pay invoices.

4. POLICY STATEMENT

- In compliance with the Municipal Finance Management Act (No. 56 of 2003), Local Government: Municipal Systems Act (No. 32 of 2000) and any other applicable legislation, the Municipality must establish and maintain an adequate internal financial management control system.
- 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.

- The Accounts Payable Policy document serves to support the concept of cost containment and control measures necessary within Accounts Payable.
- Further it is deemed:
 - a) an information document that ensures that the users of the Accounts Payable Policy understand what is required.
 - b) A working document to make Accounts Payable processes more effective.

5. DESIRED OUTCOME

- The main desired outcome of this policy is to ensure the Municipality compliance with Section 65 (2) (e) of the MFMA which requires that the Accounting Officer must take all reasonable steps to ensure: -
 - a) 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.
 - b) Further, to comply with all applicable provisions of MFMA including any National Treasury Circulars/Guidelines specifically adopted by Council in terms of MFMA.

6. REGULATORY CONTEXT

1. This policy is underwritten for approved by Council, also includes, and not limited to the frameworks shown here below:
2. Municipal Finance Management Act (MFMA), Act No. 56 of 2003
3. Value Added Tax Act 89 of 1991
4. Preferential Procurement Policy Framework Act 2000 (Act 5 of 2000)
5. Broad-Based Black Economic Empowerment Act (Act 53 of 2003)
6. Preferential Procurement Regulations, 2001
7. Local Government: Municipal Systems Act (Act No. 32 of 2000)
8. Provincial Archives and Records Services of SA Act
9. Income Tax Act 58 of 1962 (as amended)
10. King Code IV of Corporate Governance
11. Integrated Development Plan
12. Supply Chain Management Policy (Incorporating Preferential Procurement)
13. Credit Control & Debt Collection Policy 2023/24: - Clause 10.6 of this Credit Control & Debt Collection Policy states that: "The municipality may not pay its suppliers invoice, if they owe municipality for services or such a payment may be set off against the supplier's municipal account."

7. ROLE PLAYERS AND STAKEHOLDERS

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

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

6.3 Below is an outline of the affected role-players and stakeholders, amongst others:

- Municipal Finance Portfolio Committee - internal
- Mayor's Office - internal
- All other Municipality Directorates - internal secondary
- Auditor General - external government
- SALGA - external government
- Other Government Departments - external government
- SARS - external government
- Suppliers of the Municipality - external

8. PAYMENT PROCESS

8.1 Order payments

- Goods and services for the Matjhabeng Local Municipality will be procured by means of an official order in accordance with the Preferential Procurement Policy.
- Requisition for goods and services should be approved by the relevant Head of Department in line with the available budget (only payment submissions that have been verified for funds will be accepted for payment).
- Invoices, with reference to an official purchase order, which have a GRN number shall be accepted for the processing of a payment.
- Invoices for VAT registered suppliers must be SARS compliant
- Line departments must ensure that relevant supporting documents are available on request including for audit purposes.

8.2 Sundry payments

- Sundry Payments are allowable exceptions to the Formal Procurement Procedures as a Deviation from the Procurement Processes.

- Sundry Payment are to be made only to specific disbursements which may include ad hoc payments relating refunds, third party claims, license fees.
- Invoices for VAT registered suppliers must be SARS compliant.

8.3 Debit order payments

- Payments made via debit orders will be supported by supplier invoices and the service level agreement.

8.4 Payment arrangements

- Payments relating to arrangements made with the service provider/their representative will be supported by the respective agreement (arrangement) as well as the supplier statement/invoice.
- The payment arrangement should be authorized by the CFO and the Municipal Manager.

8.5 Payment relating to sole suppliers of Water and Electricity (Eskom and Bloem Water)

- Payments for Eskom and Sedibeng accounts will be supported by the supplier invoices/statements.

8.6 Settlement agreements

- Payments relating to settlement agreements instituted by the plaintiff's attorneys will be supported by the settlement agreement as well as the supplier statement/invoice.
- The invoice from the attorneys should specify the legal costs relating to the settlement and the monies payable to the plaintiff.

8.7 Contracted services

- Payments relating to contracted services (i.e., printing machines, telephone and internet services, security services) will be supported by the supplier invoice and service level agreement authorized by the CFO and the Municipal Manager.

8.8 Refunds relating to property clearance certificates.

- Payment submissions from the Revenue department relating to property clearance refunds will be reconciled to payments made through court orders/legal department prior to payment being made.
- The reconciliation will be updated with each payment cycle and for records and monitoring.

9. INVOICE TRACKING

- A daily invoice tracking register will be maintained to record all payment submissions which are acceptable per Expenditure and Payables policy and procedures.

- The tracking register will be used to monitor compliance with payment of invoices within 30 days.

10. CREDITORS RECONCILIATION AND AGE ANALYSIS

- A creditors reconciliation and age analysis will be maintained and monitored at each payment cycle.
- A monthly creditors age analysis, containing both order and sundry payments will be submitted to for review to the Managers and Budget department for monthly reporting.

11. REGISTRY/ARCHIVE

- The Accounts Payable registry function is performed internally and does not make use of the corporate registry function of the Municipality.
- The payment submissions are recorded on the GRN register of requisitions/orders from SCM.
- An electronic reconciliation of outstanding payments is maintained by the Expenditure department to ensure the completeness of documents and compliance with 30 days payment of invoices.
- The payment vouchers with a cheque print for completed payments per payment cycle (frequency of payments), are scanned prior to filing at archives the day after payment cycle. (Wednesdays for payments made on Tuesdays, and Mondays for payments made on Fridays).
- The scanned copies of the payment vouchers are sent to the Senior Accountants and Expenditure Manager on Wednesdays and Mondays for document audit.
- At the end of the month, all the scanned payment vouchers are agreed to the transactions in the General ledger and thereafter, sent to Accounting Services Section for reporting purposes.
- On a monthly basis a document audit is conducted by the Archive Section using general ledger (GS630) to identify all documents have been filed by the Archive Section.
- All documents requested by the different section within the Municipality or external parties (e.g. SARS or Auditor General South Africa) are captured on a Document Movement Register and signed for by the requesting party.
- On a monthly basis the Document Movement Register is reviewed by the Archive Section and outstanding documents requested from the parties who requested the documents.
- These documents will be retained and disposed of as per National Treasury's document keeping prescriptions.

12. FREQUENCY OF PAYMENTS WILL BE EFFECTED AS FOLLOWS:

- Goods and Services – Tuesdays and Fridays.
- Refunds and insurance claims – Fridays

13. PAYMENT PROCEDURES

- All payment documentation should reach the Finance section by Friday and Monday 12h00 to facilitate the capturing and approval of such payments.
- Salaries, third-party payments, and MIG payments will be made on the specific deadlines dates which are normally the 25th of the month, the 7th of the next month, and depending on the MIG allocation arrival, respectively.
- The expenditure has been approved and the proposed payment is in accordance with the approval.
- In terms of MIG payments, the original payment certificate needs to be authorized by the relevant people and verified by the budget section before any payments will be made.
- All relevant parties must have signed off the payment request and budgeted funds verified before it reaches the Office of the CFO.
- In terms of contract workers and ward committee members, the submission for payment needs to reach the Finance section on the 20th of every month.
- All employee related expenditure (overtime, acting, etc.) with the necessary approved supporting documentation should reach the payroll section by the 10th of every month.
- No payment will be made without the necessary supporting documentation, which will include signed submission by the requesting department, original invoices, purchase orders, requisition, payment certificate, and **confirmation that the actual work was performed**, etc.
- An invoice should be agreed to the other and be paid accurately, and the claim or invoice is not a duplicate, is not a statement, and has not previously been passed for payment.
- In terms of month-to-month contract payments, the appointment letter and signed contract for the month should be attached.
- No copies of invoices will be accepted for the payment process.
- The occurrence of direct payments will have to decrease with ALL payments going through the order system (SCM)
- All procurement should be done by SCM (automated SCM system).
- The payment process should be initiated in the expenditure department, reviewed by the expenditure manager to ensure all the above procures are complied with and be approved by the Senior Manager and/or Chief Financial Officer.
- Once the invoice/payment voucher is paid or processed, proof of payment should be attached to the payment voucher. The supporting documents should be file in the archive.
- In terms of part payments, a correct reconciliation of the outstanding amount should be kept and attached to the payment voucher.
- The proposed payment is within the approved total cost. Furthermore, proof of payment should be attached to the Invoice/payment vouchers.

- A reconciliation for the part should be prepared in the expenditure, review by the expenditure manager, and approved by the senior manager and/or CFO. No part payment should be processed if the reconciliation is not attached.
- Monthly creditors reconciliations should be performed on all creditors.
- Creditor's reconciliation should be submitted to the Manager Expenditure for review and submitted to Senior Manager Treasury with 10 working days of each month.
- Every Friday, the senior manager will update the CFO on the remaining funds on the Bank Account

Payment Plan

	1st to the 7th	8th to the 15th	16th to the 23rd	24th to the 31st
Obligation (Average)	Week 1	Week2	Week3	Week4
3rd Party Payments				
Sedibeng				
Eskom (Big Account)				
Salaries				
Debit Order Payments				
Crucial Short-Term Creditors E.g., Firewall, BCX, Other software, Telephones, People who are assisting with Meter readings				
Clearance/Consumer refunds/Insurance				
MIG				

NOTE: The ideal time to pay crucial short-term creditors would be week 3, however this is the week that we save for salaries.

These creditors will be paid ad hoc as and when the cash flow permits as per the payment procedure.

Clearance/Consumer account refunds and insurance payments should be paid on a weekly basis.

14. RECONCILIATION OF SUPPLIER STATEMENTS

- The reconciliation of supplier's monthly statements, when received, will be performed on an ongoing basis.

15. ADVANCE PAYMENTS

- This policy allows for advance payments in respect of goods and services procured which may amongst other include training, conferences, events, subscriptions, and license fees.
- However, this excludes the applicable advance payment guarantees as referred to in the SCM policy. In such instance, documented proof of an acceptable advance payment guarantee, which is justified as in accordance with the rules determined by the Manager: Supply Chain Management and authenticated by the Budget Department, must be attached to the payment submission.

16. CREDITORS

- All money owed by the Municipality must be paid within thirty (30) days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
- The CFO has the powers to delay payments beyond 30 days on negotiations with the creditors should the municipality be unable to pay due to any challenges that may be faced by the municipality.

17. INTEREST AND PENALTIES ON LATE PAYMENTS

- No interest will be payable by the Municipality on any late payments unless due to negligence on behalf of an official of the Municipality.
- In the case that the interest charge is due to the negligence of an official the expenditure is classified as fruitless and wasteful expenditure.
- 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. Any queries will also be referred to such line department.

18. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

All Unauthorized, Irregular, Fruitless and Wasteful Expenditure will be dealt with in terms of Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings promulgated in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003.

19. IRREGULAR PROCUREMENT

- It is the Expenditure division's objective to ensure compliance with SCM policies and regulations.
- All irregular procurement will only be paid once the Head of Department responsible for the procurement has acknowledged the procurement and that steps will be taken; of which outcome he/she accepts responsibility thereof.

20. IMPLEMENTATION, EVALUATION AND REVIEW

10.1 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.

- The Accounts Payable Policy shall be implemented once approved by Council.
- 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.
- This policy must be reviewed annually as part of the budget process or more frequently if required.
- Changes in legislation must be taken into account for future amendments to this policy.
- Any amendments to this policy must be submitted to Council for approval.