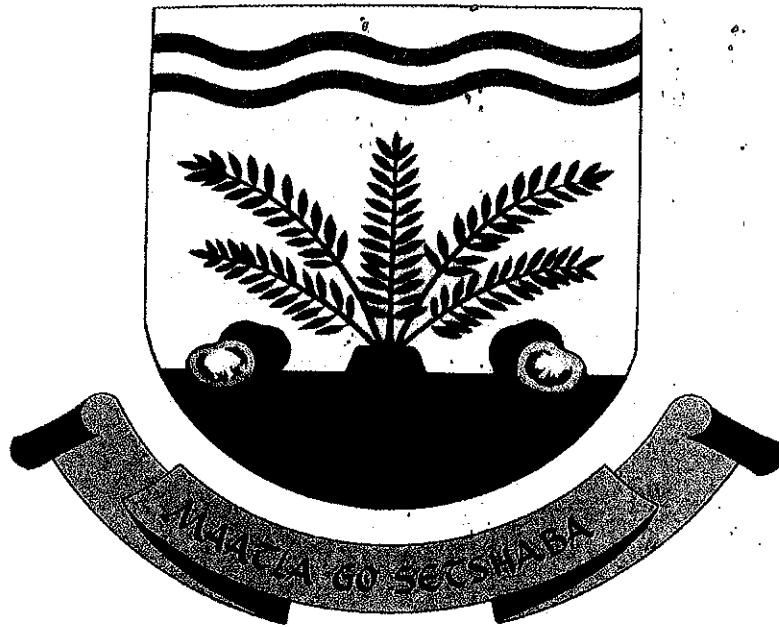


**GREATER LETABA MUNICIPALITY**



**TRADE AND SUNDRY PAYABLE POLICY**

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## **GREATER LETABA MUNICIPALITY**

### **TRADE AND SUNDRY PAYABLE POLICY**

#### **A. PURPOSE OF THIS POLICY**

The purpose of this policy is to set clear guidelines over the trade and sundry payable accounting cycle in respect of providing for, managing and reporting on such balances. For the purpose of this policy the following balances will form part of trade and sundry payables:

- Trade payables;
- Leave provision payables;
- Bonus provision payables;
- Inter-loan account balances – Other governmental parastatals;
- Unknown deposits;
- Revenue received in advance;
- Retention fees payable;
- Other sundry payables.

#### **B. BACKGROUND**

The Municipal Finance Management Act requires of all municipalities to adhere to strict financial management control and processes as prescribed in the Act. This policy therefore sets out the process to follow to ensure that trade and sundry payables are accounted for as prescribed in the Act.

The trade and sundry payable system manages the obtaining of, management of and payment for goods or services as needed by the Municipality.

The main objective of purchasing by the Municipality should be to obtain the right goods or service:

- at the best price available,
- at the right time,
- at the best quality and

- in the correct quantity.

## **C. ACCOUNTING AND RECONCILING**

1. A separate general ledger control account must be opened for each type of trade and sundry payable balance, eg.: Trade payables, leave provision, bonus provision, retention fees, revenue received in advance, etc.;
2. Expenditure transactions must be captured onto the Municipality's financial system, general ledger as well as trade creditor sub-system.
3. The details of suppliers with whom the Municipality trades on a recurring basis (more than once per annum), must be included in the Municipality's trade creditor system;
4. The total of the trade creditor system must be reconciled to the relevant general ledger control account monthly
5. Monthly reconciliations must be performed by the relevant accountant responsible for the account balance
6. Monthly reconciliations must be reviewed for completeness and accuracy.
7. All signed lead sheets, reconciliations and supporting working papers must be filed in the month-end audit files by the Assistant Director: Expenditure, Budget and Reporting.

## **D. CREDITOR PAYMENTS**

1. Expenses incurred must be done in accordance with the stipulations of the Municipality's supply chain management policy.
2. A detailed creditor reconciliation must be performed for each supplier that appear on the creditor system.
3. Payments to clients must be done within 30 days from the date of receipt of an invoice and detailed individual creditor reconciliations are performed. The creditor reconciliations must be filed per creditor.
4. Payments may only be done on the original documents of suppliers and the supporting documents should as far as possible consist of the following:
  - 4.1 Certified original invoice (Tax Invoice),
  - 4.2 Client delivery note;
  - 4.3 Goods received note i.r.o. store purchases;
  - 4.4 Second copy of the order issued;

- 4.5 Original approved purchase requisition,
  - 4.6 Original quotations according to the Municipality's procurement policy.
  - 4.7 Detailed CSD report
  - 4.8 Completed MBD Form
  - 4.9 Certification of payment
- 
5. A detailed payment advice must be generated for each creditor reconciliation and a copy of the relevant creditor reconciliation attached to the payments;
  6. The Assistant Director: Expenditure must review the payment and supporting reconciliations and working papers for completeness and accuracy. The payment and creditor reconciliation must be signed as proof of the reconciliation performed;
  7. Payment should in all instances be reviewed and approved for processing by the Chief Financial Officer or the delegated senior employee during times when he/she is not available.
  8. Payment should occur through electronic funds transfer;
  9. The Municipal Manager, Chief Financial Officer or delegated senior official must authorised the payment.
  10. The payment documentation must be filed in numeric order.
  11. Payment voucher and substantiating documentation should be clearly cancelled after payment is made by stamping it as "PAID", to prevent double payments.
  12. Goods received notes should in all instances be authorised and signed by the head of the relevant department as proof that the goods or services were received before payments are made.
  13. The Municipality should only trade with third parties that are registered with the South African Revenue Services for VAT purposes. Supplier's Vat registration numbers should be clearly disclosed on their invoices. Only in exceptional instances should trading with parties that are not registered for VAT be allowed.
  14. Orders should be issued for all expense transactions before goods are ordered or received. The orders should be authorised by CFO or the delegated employee.
  15. Trade and sundry payable balances should be disclosed in the quarterly and annual financial statements according to the relevant accounting standards.
  16. The Chief Financial Officer must ensure that all trade and sundry balances are paid within a thirty day period to prevent interest charges.

## **E. REFERENCES**

The following references were observed in compiling this document:

- Municipal Finance Management Act, 2003, MFMA,
- MFMA Latest Circulars,
- Supply chain management legislation and policy,
- Standards of GRAP,
- Municipal System Act.

## **F. RELATIONSHIP WITH OTHER POLICIES**

This policy must to be read in conjunction with other relevant policies of the Municipality, including the following adopted documents:

### **5.1 Supply Chain Management policy**

Process to be followed to appoint external experts and obtain quotations.

### **5.2 Band and cash**

Process in finalising payments.

**G. POLICY AMENDMENTS, APPROVAL AND IMPLEMENTATION**

**6.1 Policy amendments**

Request for changes to this policy must be done in writing and must be submitted to the Municipal Manager for review and authorisation.

In addition to the above, the policy should be reviewed at least bi-annually to ensure that its stipulations still apply and are in accordance with the Municipality's personnel structure and procedure manuals.

**6.2 Policy approval**

Changes to this document shall only be applicable if approved by Council. Therefore any changes made to the policy based on requests received or through the bi-annual review must be submitted to Council for approval.

**6.3 Policy implementation**

The effective date for the implementation of the updated document will be the date as approved by Council.

**Municipal Manager  
Sewape MO**

