

GREATER LETABA MUNICIPALITY



TRADE AND SUNDRY PAYABLE POLICY

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TRADE AND SUNDRY PAYBLE 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 RECONCILIING

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, within one working day from the day that the transactions were initiated and goods or services supplied;
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 by the end of each working day;
5. Monthly reconciliations must be performed by the 7th day of each month by the relevant accountant responsible for the account balance in the following manner:
 - 5.1.1 All reconciliations must be generated utilising Microsoft Excel;
 - 5.1.2 The responsible accountant must ensure that all transaction incurred and accrued up to month-end has been captured onto the financial system. This includes the updating of the leave and bonus provision information and the retention fee register;
 - 5.1.3 The reconciliation must be performed between the relevant payable general ledger control accounts, sub-ledger system and external supporting documentation;
 - 5.1.4 The accountant performing the monthly reconciliations must sign the reconciliations and supporting working papers as proof of the reconciling function performed.
6. Monthly reconciliations must be reviewed for completeness and accuracy as follows:
 - 6.1.1 The Assistant – Director: Expenditure, Budget and Reporting must review the reconciliations and supporting documentation for completeness and accuracy by the 10th day of each month;
 - 6.1.2 The Assistant Director; Expenditure, Budget and reporting must generate a monthly lead sheet inclusive of all trade and sundry payable balance for the particular month. This lead sheet should also contain the closing balances of the prior financial period;
 - 6.1.3 The Director _ Finance must review the lead sheets and reconciliations for completeness and accuracy by the 13th day of each month;
 - 6.1.4 The lead sheets and supporting reconciliations and working papers must be signed by the Director – Finance and Assistant Director – Expenditure, Budget and Reporting as proof of the review function performed.
- 6 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;
- 7 The Director – Finance to report to the Municipal Manager by the 20th day of each month on the trade and payable balances and the Municipal Manager to report to Council by the end of each month.

D. CREDITOR PAYMENTS

1. Expenses incurred must be done in accordance to 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 only be done once per month and once the 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 Authorised payment advice;
 - 4.2 Creditor reconciliation;
 - 4.3 Supplier monthly statement;
 - 4.4 Certified original invoice (Tax Invoice),
 - 4.5 Client delivery note;
 - 4.6 Goods received note i.r.o. store purchases;
 - 4.7 Second copy of the order issued;
 - 4.8 Original approved purchase requisition,
 - 4.9 Original quotations according to the Municipality's procurement policy.
 - 4.10 Detailed CSD report
 - 4.11 Completed MBD Form
 - 4.12 Bank Confirmation
 - 4.13 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 advice;
6. The Assistant Director: Expenditure, Budget and Reporting must review the payment advice and supporting reconciliations and working papers for completeness and accuracy. The payment advice and creditor reconciliation must be signed as proof of the reconciliation performed;
7. Payment advises should in all instances be reviewed approved for payment by the Director – Finance or the delegated senior employee during times when he/she is not available. The payment advice and creditor reconciliation must be signed as proof of the reconciliation performed;
8. Payments to creditors should only occur after the payments advices were reviewed and approved. Payment should occur through electronic funds transfer;
9. The Municipal Manager, Director-Finance or delegated senior official must authorised the payment of approved payment advices;
10. The payment reference number must be captured onto the payment advice and the advice together with supporting reconciliation and documentation must be filed in payment numeric order.
11. Payment advises and substantiating documentation should be clearly cancelled after payment is made by stamping it as "PAID", to prevent double payments.
12. Invoices 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 the supply chain department and relevant head of department 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 Director: Finance 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.

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