

GREATER LETABA MUNICIPALITY



TRADE AND SUNDRY PAYABLE POLICY

TABLE OF CONTENTS

SECTION	DESCRIPTION	PAGE
A	PURPOSE OF THE POLICY	3
B	BACKGROUND	3
C	ACCOUNTING AND RECONCILING	4
D	CREDITOR PAYMENTS	5
E	REFERENCES	6
F	RELATIONSHIP WITH OTHER POLICIES	6
G	POLICY AMMENDMENTS, APPROVAL AND IMPLEMENTATION	6

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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.