

MANGAUNG METROPOLITAN MUNICIPALITY



CREDITORS PAYMENT PROCEDURES FOR IMPLEMENTATION: 1 JULY 2026

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i) LEGISLATIVE REQUIREMENTS

In terms of section 65 of the Municipal Finance Management Act, Act 56 of 2003, the City Manager as Accounting Officer of the Municipality is responsible for the management of the expenditure of the Municipality and, to this end, must take all reasonable steps to ensure that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds.

ii) DEFINITIONS

In this Policy document –

“Act” means the Local Government: Municipal Finance Management Act, 56 of 2003;

“creditor” means a person to whom money is owing by the Municipality; “accounting officer” means the city manager;

“Bill of Quantities” means

“Certificate” means

“Chief Financial Officer” means the official of the Municipality designated as such by the accounting officer in terms of section 80[2][a] of the Act; “Municipality” means Mangaung Metropolitan Municipality

“Goods received note” means

“prescribed” means prescribed in terms of the Act.

ACRONYMS

CM – City Manager

CFO – Chief Financial Officer

GM - General Manager

BTO - Budget and Treasury Office

BoQ – Bill of Quantities

HoD – Head of Department

SCM – Supply Chain Management

GRN – goods received note

UIFW – unauthorised, irregular, fruitless and wasteful expenditure

CSD – Central Supplier Database

1. BACKGROUND

After having assessed the payments procedures currently effective, it was noted that there is no clarity in the organisation on the minimum expectations for submitting payments to Finance for processing. In terms of the delegations, each Head of Department is allocated budget which they should spend in accordance with all law, regulations, policies and procedures in use by the municipality. The city can only be obligated to make a payment when all compliance with applicable policies and procedures are followed.

The city has adopted a policy on Identification and Prevention of UIFW Expenditure, and it is for this reason that any non-compliant obligation/contract or invoice will not be processed until all compliance requirements are met.

Invoices processed for payment must have supporting document such as the order issued after completing all supply chain management processes, or a job card in cases of maintenance contracts, or a certificate in cases of capital projects and professional service providers.

An order is issued by supply chain management unit after an award is made, either for a quotation or open tender. Once goods ordered are received, user departments must complete a goods received note duly signed by the expected signatories as per the departmental delegations, and once signed, the GRN will be submitted to Supply Chain who will validate the GRN against the order including validation of quantities and price. Upon validation, the GRN and the invoice will be submitted to Budget and Treasury Office for approval for payment.

Certificates are generated from the system upon loading of the documents by the user department. Once documents are loaded, they are verified against the contract and the job order issued. If everything matches, the certificate will be approved. The approved certificate will be printed and submitted with all the documents that were uploaded, and will be duly signed off by the HoD and those with delegations.

For all certificates, the following are the minimum documents required:

- Signed certificate
- Project Managers report detailing work done and completed and confirming that the invoice should be accepted
- The Project Manager must ensure that the basis for the claim are in accordance with the contract (time based, cost estimate, reimbursable at cost (that is the city is liable to pay invoice attached without mark-up)
- The Bill of quantities that aligns with the BoQ at appointment as well as price per item
- The appointment letter

For direct payment, an approval letter signed by the Line Manager who must give reasons why SCM processes were not followed to obtain an order, concurred to by the HoD, recommended by the CFO to the City Manager, who then approves the request. Once the direct payment has been approved, submission of invoice can be made together with appointment letter of such service provider.

2. GENERAL DUTIES OF THE ACCOUNTING OFFICER

The accounting officer must take all reasonable steps to ensure –

- a) that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
- b) that the Municipality has and maintains a management, accounting and information system that –
 - a. recognises expenditure when it is incurred;
 - b. accounts for creditors of the Municipality; and
 - c. accounts for payments made by the Municipality;
- c) that the Municipality has and maintains a system of internal control in respect of creditors and payments and also to ensure that creditors are paid within 30days

3. PAYMENTS TO CREDITORS/SUPPLIERS

The accounting officer must ensure that –

- a) that all reasonable steps are taken to ensure that all payments made by the Municipality are made directly to the person/organisation that supplied the relevant service or goods or to whom such payment is due, unless otherwise agreed upon (in case of cession) for good reason and approved by Municipal Manager for implementation
- b) that payments by the Municipality are made electronically, or by petty cash up to the limit of R2000.00
- c) that all tenders and quotations invited by and contracts entered into by the Municipality, stipulate payment terms favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality, provided that all reasonable steps shall be taken to ensure that payment is made within thirty [30] days of the date of the invoice.

The provisions of subparagraph [c] may be relaxed by the accounting officer –

- a) when such relaxation is, in the opinion of the accounting officer, financially beneficial to the Municipality;

- b) in respect of small, micro and medium enterprises, where the total income derived from contract work entered into with the Municipality does not exceed R 1 000 000.00 per contract in a municipal financial year, in which case payment may be effected at the conclusion of the month during which the service is rendered, or within fourteen days of the date of such service being rendered, whichever is the latter:

Provided that –

- i) no more than two [2] payments may be effected during any period of thirty [30] days; and
- ii) any early payment shall be specifically approved by the accounting officer before payment is made to enterprise concerned;
- c) in cases where early payment is necessary such as travel, accommodation and training

Notwithstanding the foregoing policy directives, the accounting officer must, when it is financially beneficial to the Municipality, make full use of any extended terms of payment offered by suppliers of goods and services to the Municipality and may not settle any accounts earlier than such extended due date.

The accounting officer may not ordinarily process creditor payments, more than three in each calendar month: Provided that special payments to creditors may be made with the express approval of the accounting officer if he or she is satisfied that there are compelling reasons for making such payments; this will be the case for all supply and delivery contracts

Payments in terms of this policy are subject to compliance with all financial requirements relating to payments to creditors by the Municipality and the submission of all documentation substantiating a particular payment.

4. PAYMENTS TO COUNCILLORS/STAFF

- a) In the case of subsistence and travel claims submitted by councillors and staff, payments will be effected via the special salary payment run in the month in which the travelled is undertaken.
- b) Where a claim for payment is received from a councillor or staff member after the date of travel, such claim may be processed through a special salary run or the normal salary run.

5. THIRD PARTY PAYMENTS

- a) All third parties payments will be paid on or after the 7th of following the month at which the expenses were incurred or salaries for previous month paid
- b) Payments for all third parties payments will only be effected electronically
- c) All payments must be approved by the CFO

6. PAYMENTS OF CESSIONARIES

- a) Payments to cessionary will only be made after a duly authorised cession, endorsed by the Chief Financial Officer
- b) Cessionary may be required to register in the Supplier Database if they are not registered with CSD, to ensure that the payment is made to the current account
- c) Before payment is made to the cessionary, compliance with MBD 4 will be required to be completed, as well as municipal account, valid tax pin to test tax compliance
- d) The cessionary may be checked against the list of prohibited bidders list maintained and published by National Treasury

7. DELEGATION OF FUNCTIONS AND POWERS

The accounting officer may, in terms of section 79 of the MFMA, delegate his or her functions and powers in terms of this policy to the Chief Financial Officer.

8. PAYMENT PROCEDURES

Procedure Number	Detailed procedure	Responsibility
1	<p>The Expenditure Accountant receives the following in batches on a daily basis:</p> <ul style="list-style-type: none">- Payment vouchers with corresponding Documents i.e. (.order must correspond with the requisition, quotation and the invoices) from the supply chain office.- If the supplier forwards his invoice with the delivery note, the receiving officer should date stamp it and forward it to the Expenditure Accountant.	<p>User department to submit payment vouchers for validation and compliance.</p> <p>User department should confirm that delivery note concurs to the requisition and order</p>

2	All invoices should be signed and date- stamped then signed by the HoD of user department as proof that goods & services were rendered and forward invoice to the Expenditure Accountant.	User department to ensure that documents are duly signed/authorised
3	Each supplier invoice must be matched to a properly approved requisition and order form.	Expenditure Accountant should confirm
4	The invoice must then be matched to the delivery note. The description of the goods, the quantity supplied and the signature of the authorized person receiving the goods must be confirmed.	Expenditure Accountant should confirm matching and obligation
5	The GM BTO is responsible for checking of the adequacy and completeness of documents received from the supply chain office	GM BTO
6	If the Accountant Expenditure is not satisfied with the documents received from the supply chain office, he/she must return the payment voucher to the supply chain office.	Accountant Expenditure with clear reasons why the documents are returned
7	In the instance that the Accountant Expenditure is still unhappy with the explanations supplied by the supply chain official, the matter must be referred to the chief financial officer via manager expenditure for resolution.	Escalation via the GM BTO who must try to resolve issues raised with SCM and User Department
8	If the invoice relates to a service that was supplied, the HoD of the section should verify and sign the invoice to indicate that the service was received.	As per delegations, the HoD is ultimately responsible for all commitments created/ entered into and the payments thereof.
9	Where a service is rendered regularly in terms of a standing contract, or where a continuing service such as a telephone is provided, order forms are not required. The HoD of the concerned section should sign these invoices after considering the necessity of the expense as well the reasonableness of the amount.	HoD, GM BTO and CFO. GM BTO to identify such contracts and ensure that the City Manager signs and publish the list of exclusions from supply chain management processes
10	An initial or progress payment in terms of a contract or written agreement shall not be considered an advance but shall be brought into account as a direct charge to the appropriate vote or service. The voucher pertaining to such payment shall:	All certificates must indicate total value of contract, funding source, progress payments, Project Manager's report, invoice, bill of quantities where

	<ul style="list-style-type: none"> - Disclose the total amount payable in terms of the contract; - Disclose the total amount of all previous payments in terms of the contract together with the cheque numbers; - Disclose the total payment to date, including the payment being made as reflected in the voucher; - Disclose the balance due; and - Be supported by a certificate from a duly authorised person, that the supplier is entitled to the payment in terms of the contract and the work has been properly performed. 	<p>applicable, timesheets where applicable, invoices that must be reimbursed as per the contract, portfolio of evidence in case of civil construction projects, measurement techniques applied to convert material into progress work and appointment letter.</p> <p>It will be expected that consistency shall be maintained throughout the project.</p> <p>In case of approved price adjustments, such approval letter be attached.</p>
11	<p>All payments:</p> <ul style="list-style-type: none"> - Will be effected by petty cash to the limit as determined in other policies or by electronic transfer. Apart from petty cash, no payments should be made in cash; and - Should be made either monthly or weekly, and, only under exceptional circumstances, as determined by the City Manager, should a payment be made outside of these intervals. 	GM BTO, CFO
12	The Accountant Expenditure must print the creditors aging and general ledger creditor's account to verify the completeness of the outstanding payments.	Accountant/Manager Expenditure
13	The Manager Expenditure or GM BTO must present the payment listing together with supporting documentation to the Chief Financial Officer.	Manager Expenditure/GM BTO
14	The Chief Financial Officer will critically inspect the supporting documentation and identify which payments will be authorised and more importantly which are disputed	CFO

15	Disputed payments will be returned to the Manager Expenditure. It is the responsibility of the creditors section to ensure that the supporting documentation is complete	CFO
16	Cheque requisition forms are completed by the Accountant Expenditure for each cheque payment	Manager Expenditure
17	These cheque requisition forms will be forwarded to an officer who has been delegated the authority to prepare cheques.	Manager Expenditure
18	The cheques and the supporting documentation are forwarded to the City Manager and Chief Financial Officer for signing.	GM BTO
19	Disputed payments will be returned to the Accountant Expenditure. It is the responsibility of the creditors section to ensure that the supporting documentation is complete.	GM BTO
20	The City Manager may elect for cheques below a certain amount to be signed by the Chief Financial Officer and Head of the Section concerned. These limits must be formally documented and strictly adhered to.	Delegations of powers and duties register - CM
21	The chief financial officer should inspect the documentation and satisfy himself/herself as to the validity of the expense before approving the payment	CFO
22	The Chief Financial Officer will co-sign the cheque and record the cheque number on the supporting documentation. The documentation should also be stamped as evidence of it being paid.	CFO
23	The accountant expenditure must prepare the electronic funds transfer (EFT) for those suppliers that are paid electronically	Manager Expenditure
24	The City Manager and the Chief Financial Officer must insert passwords to effect the electronic funds transfer after reconciling it to the relevant supporting documents. The Chief	CFO

	Financial Officer must stamp the supporting documentation as paid.	
25	The City Manager through council resolution will elect to adopt the same delegated authorisation limits to the Chief Financial Officer and Heads of Departments .	CM/CFO
26	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	CFO
27	The expenditure section should prepare a schedule of all debit orders that were honoured in that respective month. This schedule will form part of the monthly bank reconciliation.	GM BTO
28	The Accountant Expenditure will be responsible for providing documentation to support the validity of these deductions.	GM BTO
	The schedule accompanied by supporting documentation should be submitted to the Chief Financial Officer for authorization.	CFO
29	The Chief Financial Officer and the City Manager would sign this form as evidence that they have inspected the supporting documentation and are satisfied as to the validity of the deduction.	CFO
30	If any deduction is disputed by the Chief Financial Officer then it will be referred to the Manager expenditure, who will be responsible for following up on all queries with regard to payments	CFO
31	The Accountant Expenditure is responsible for maintaining all documentation relating to creditor payments.	Manager Expenditure
32	This would include a monthly reconciliation of the creditors	Manager Expenditure

9. VAT COMPLIANCE

As required by law, all suppliers will be vetted for VAT compliance by either requesting directly from the supplier the latest SARS Tax Pin or by enquiring with SARS directly the tax status of the company before payment is made.

In terms of the bidding procedures, once the bidder has been successful and appointment letter issued, the documents are transferred to Legal Section for handling and any references. Expenditure Department does not have access to the storage nor is advised of the tax pin.

Or

Upon appointment of bidders, the CFO will be provided with copies of appointment letter, the SARS tax pin and company registration documents for ease of reference when dealing with the service provider, during contract execution and processing of payments.

Suppliers tax status will be confirmed for every payment to be made to ensure compliance. Any supplier who is non-compliant will be informed of the test results and will be requested to resolve any issues with SARS. The CFO reserves the right to refer all tax status non-compliant service providers to SARS to establish any issues and possibility of appointing the CFO in the recovery of any outstanding amounts as per the SARS record.

In case of such an appointment, the CFO will advise the supplier of the appointment and the implications thereof. Only upon withdrawal of the appointment, the CFO will make payments directly to the supplier.

1. Payment Lifecycle

With the desire of the city to pay creditors within 30 days, the following process is being standardized:

It is expected that creditors submit invoices after 30 days cycle of work or as per the terms and condition of contracts, for normal supply, after or with delivery of goods/services	Invoices are submitted to the respective Project Manager and HoD. Copy of the invoice must be submitted by creditor to invoices@mangaung.co.za	Project Manager is responsible for the processing of the invoice and securing of signatures within 20 days from date of invoice. This is to accommodate civil contractors invoices that needs measurement and consultant reports
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Submission of certificates and GRNs	All signed certificates and GRNs must be submitted to BTO for validation	Certificates and GRNs will be validated through checking and liaising with the Project Manager, SCM, Contracts Management and/or consultants. This process must conclude within 5 days and by the 25 th , invoices of prior month must be with the CFO for approval to pay
Approval to pay and release of funds	All invoices/certificates/GRNs signed by CFO will be processed for payment	The CFO and CM will pay invoices duly authorised by HoDs by no later than 30 days from date of receipt of the invoice
Reporting	Invoices received by the CFO that are 30 days or older will be deemed as overdue and a report will be issued to the relevant HoD for intervention	Invoices older than 30 days will have consequences for each directorate. Invoices over 90 days will be reported to the relevant HoD and MMC by the CM

iii) Policy review

This policy will be reviewed annually and revised as necessary