

CENTLEC (SOC) LTD

CREDITORS PAYMENT POLICY: 2025/2026

Notwithstanding the review date herein, this policy shall remain effective until such time, approved otherwise by council and may be reviewed on an earlier date if necessary.

Council Resolution No.			
Approval Date		Effective Date	

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i) LEGISLATIVE REQUIREMENTS

In terms of the Municipal Finance Management Act, Act 56 of 2003, Sections 93 to 100 which govern Municipal Entities, the Chief Executive Officer, as the Accounting Officer of the municipal entity, is responsible for the management of the entity's expenditure. In accordance with these provisions, the Accounting Officer must take all reasonable steps to ensure that the municipal entity has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal, and payment of funds.

ii) DEFINITIONS

For purposes of this Policy applicable to the **Municipal Entity**, the following definitions shall apply unless the context indicates otherwise:

- **“Act”** refers to the **Local Government: Municipal Finance Management Act, 56 of 2003**, inclusive of regulations issued thereunder, as applicable to municipal entities.
- **“Accounting Officer”** means the Chief Executive Officer (CEO) of the municipal entity, appointed in terms of Section 93F of the MFMA, responsible for financial management and expenditure control.
- **“Bill of Quantities (BoQ)”** means a document prepared by or for the client in the form of a list that details materials, parts, and labour (with costs) required for a construction project.
- **“Certificate”** refers to an official document certifying completion or progress of work, used to support payments related to capital projects or service delivery contracts.
- **“Chief Financial Officer (CFO)”** means the official designated by the Accounting Officer in terms of Section 80(2)(a) of the MFMA, responsible for budgeting, accounting, and financial reporting within the municipal entity.
- **“Creditor”** refers to any natural or legal person to whom the municipal entity owes money.
- **“Goods Received Note (GRN)”** means a document signed by authorised personnel of a user department confirming receipt of goods/services in accordance with an order issued.
- **“Municipality”** refers to the **Mangaung Metropolitan Municipality**, the parent municipality of the municipal entity.
- **“Municipal Entity”** refers to a juristic person established in terms of the Systems Act and MFMA to provide municipal services in terms of Section 86B of the Municipal Systems Act.
- **“Prescribed”** means as determined by or in accordance with the provisions of the MFMA or any regulations issued thereunder.

iii) ACRONYMS

Acronym	Definition
CEO	Chief Executive Officer (Accounting Officer of the Municipal Entity)
CFO	Chief Financial Officer
GM	General Manager
FMS	Financial Management and Support
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

This policy seeks to define the minimum documentation and procedural requirements for payment processing within the Municipal Entity. Upon assessment of current payment practices, it was identified that inconsistent standards across departments lead to delays, non-compliance, and exposure to UIFW expenditure.

In terms of the MFMA and applicable internal policies, each Head of Department is allocated a budget to manage in compliance with all relevant laws, regulations, and procedures. The municipal entity may only be legally obligated to make payment when compliance has been ensured across all levels.

This policy aligns with the Municipal Entity's **Policy on the Identification and Prevention of UIFW Expenditure**. Consequently, no invoice or payment request shall be processed unless all prescribed compliance requirements have been satisfied.

Required supporting documents include, but are not limited to:

- An official purchase order issued following SCM processes,
- A job card for maintenance-related services,
- A payment certificate for capital or professional services projects,
- And where applicable, a signed GRN confirming receipt of goods or services.

The SCM Unit issues orders post-award. Upon receipt of goods, departments complete and sign the GRN, which is validated by SCM against the order details. Only validated GRNs, along with corresponding invoices, are forwarded to the Budget and Treasury Office for payment approval.

For projects requiring certificates, once documents are uploaded by user departments, they are verified against contract terms. Certificates are approved only if all details correspond with contractual obligations. The approved certificate, along with supporting documentation, is submitted with required signatures from the HoD and officials with delegated authority.

Minimum documents required with each certificate include:

- Signed certificate,
- Project Manager's report detailing completed work,
- Alignment with the contract terms (time-based, reimbursable, etc.),
- Matching BoQ to that of the original appointment,
- Copy of the service provider's appointment letter.

In cases of **direct payments** (where SCM procedures could not be followed), the process must be motivated and approved at various levels:

- Signed approval from the Line Manager explaining the deviation,
- Concurrence by the HoD,
- Recommendation by the CFO,
- Final approval by the CEO (Accounting Officer).

Once approved, payment may be made upon submission of the invoice and appointment letter.

2. GENERAL RESPONSIBILITIES OF THE ACCOUNTING OFFICER

In terms of the Municipal Finance Management Act, Act 56 of 2003, the Accounting Officer (Chief Executive Officer) of the municipal entity must take all reasonable steps to ensure the following:

- a) That the Municipal Entity has and maintains an effective system of expenditure control, including clear procedures for the approval, authorisation, withdrawal, and payment of funds;
- b) That the municipal entity has and maintains a management, accounting, and information system that:
 - Records and recognises expenditure at the point it is incurred;
 - Accurately accounts for all creditors of the municipal entity; and
 - Accurately accounts for all payments made;
- c) That the municipal entity implements and maintains a system of internal control specifically relating to creditors and payments, ensuring that all payments to creditors are made within 30 days from the date of receiving a valid invoice or the goods/services by finance department and all this invoice will be stamped with received date, whichever is later.

3. PAYMENTS TO CREDITORS/SUPPLIERS

The Accounting Officer must ensure the following practices are applied when making payments:

1. All payments must be made directly to the person or entity that provided the goods or services or to whom the payment is legally due. In cases involving cession agreements, payment may be made to a third party only with the prior written approval of the Accounting Officer and for valid reasons.
2. Payments should be made electronically. The Municipal Entity does not make any payments in the form Of Petty cash payments.
3. All contracts and procurement processes (including tenders and quotations) must specify payment terms favorable to the municipal entity, such that payment becomes due no earlier than the end of the month following the month in which the service was rendered or goods were received. Nonetheless, the entity must ensure payment is made within 30 days of receipt of a valid invoice by the finance department.

3.1 Relaxation of Payment Terms

The provisions under item (c) above may be relaxed by the Accounting Officer under the following conditions:

- a) When early payment is deemed to be financially beneficial to the municipal entity
- b) In respect of Small, Micro, and Medium Enterprises (SMMEs), where the total value of the contract does not exceed R1,000,000.00 in a municipal financial year. In such cases, payment may be made either:
 - At the end of the month in which the service is rendered, or
 - Within 14 days of the service delivery date, whichever is later, provided that:
 - No more than two payments are made within a 30-day period; and
 - Prior written approval is obtained from the Accounting Officer;
- c) In cases where early payment is essential, such as travel, accommodation, or training.

3.2 Optimisation of Supplier Payment Terms

Notwithstanding any of the above provisions, the Accounting Officer must, when it is financially advantageous to the municipal entity, make full use of any extended payment terms offered by suppliers. No payment shall be made earlier than such an agreed extended due date unless explicitly authorised.

3.3 Limitations on Payment Frequency

Payments to creditors should not exceed three (3) payment batches per calendar month unless special approval is granted by the Accounting Officer due to compelling reasons, this exception will particularly apply to supply and delivery contracts where multiple payment tranches are contractually justified.

3.4 Compliance and Documentation

All payments made under this policy are subject to full compliance with applicable financial management legislation, municipal entity policies, and internal procedures. No payment may be processed without the submission of complete and valid supporting documentation substantiating the claim or invoice.

4. THIRD-PARTY PAYMENTS

- a) All payments to third parties (such as pension funds, medical aid schemes, and garnishee orders) shall be processed on or after the 7th of the month following the month in which the expense was incurred or the salary was paid.
- b) All third-party payments must be made electronically to ensure accuracy, security, and auditability.
- c) No third-party payment shall be made without the prior approval of the Chief Financial Officer (CFO).

5. PAYMENTS TO CESSIONARIES

- a) Payments to a cessionary (a third party legally assigned to receive payment) shall only be made following submission of a valid cession agreement, duly authorised and endorsed by the Chief Financial Officer.
- b) A cessionary may be required to register on the Supplier Database, especially if not already listed on the Central Supplier Database (CSD), to ensure that payment is made to a verified and compliant bank account.
- c) Before payment is released to a cessionary, the following compliance checks must be completed:
 - A signed MBD 4 (Declaration of Interest);
 - Proof of a valid municipal account;
 - A valid SARS tax pin confirming tax compliance.
- d) The cessionary will also be screened against the National Treasury's List of Restricted Suppliers to ensure they are not prohibited from doing business with the public sector.

6. DELEGATION OF FUNCTIONS AND POWERS

In line with Section 79 of the Municipal Finance Management Act (MFMA), Act 56 of 2003, the Accounting Officer (Chief Executive Officer) may delegate any powers or responsibilities conferred in terms of this policy to the Chief Financial Officer, subject to the entity's delegation framework and the requirements of the MFMA.

7. PAYMENT PROCEDURES

Procedure Number	Detailed procedure	Responsibility
1	<p>The Expenditure Accountant receives the following in batches daily:</p> <ul style="list-style-type: none"> - Authorised payment pack 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. 	User department should confirm that delivery note concurs to the requisition and order by signing the blue form
2	All invoices should be signed and date-stamped then signed by the HoD or a duly authorised staff member 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 FMS is responsible for checking of the adequacy and completeness of documents received from the supply chain office	GM FMS

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 Manager FMS 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 or a duly authorised staff member 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 or a duly authorised staff member of the concerned section should sign these invoices after considering the necessity of the expense as well the reasonableness of the amount.	HoD, GM FMS and CFO. GMFMS to identify such contracts and ensure that the Chief Executive Officer signs and publish the list of exclusions from supply chain management processes
10	<p>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:</p> <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; 	All certificates must indicate total value of contract, funding source, progress payments, Project Manager's report, invoice, bill of quantities where applicable, timesheets where applicable, invoices that must be reimbursed as per the contract, portfolio of evidence in case of civil construction projects, measurement techniques

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	<ul style="list-style-type: none"> - 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>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"> - No payments should be made in cash. - Payments should be made either monthly or weekly, and, only under exceptional circumstances, as determined by the Chief Executive Officer, should a payment be made outside of these intervals. 	GM FMS, 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 FMS
13	The Manager FMS or GM FMS must present the payment listing together with supporting documentation to the Chief Financial Officer.	Manager FMS/GM FMS
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 FMS. It is the responsibility of the creditors section to ensure that the supporting documentation is complete	CFO
16	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 FMS
17	The chief financial officer should inspect the documentation and satisfy himself/herself as to the validity of the expense before approving the payment	CFO
18	The accountant expenditure must prepare the electronic funds transfer (EFT) for those suppliers that are paid electronically	Manager FMS
19	In exceptional circumstances, the Entity may have entered into agreements requiring payment by debit order. These arrangements would have to be authorised by the Chief Financial Officer	CFO
20	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 FMS
21	The Accountant Expenditure will be responsible for providing documentation to support the validity of these deductions.	GM FMS
22	The schedule accompanied by supporting documentation should be submitted to the Chief Financial Officer for authorization.	CFO

23	The Chief Financial Officer and the would sign this form as evidence that they have inspected the supporting documentation and are satisfied as to the validity of the deduction.	CFO
24	If any deduction is disputed by the Chief Financial Officer, then it will be referred to the Manager FMS who will be responsible for following up on all queries with regard to payments	CFO
25	The Accountant Expenditure is responsible for maintaining all documentation relating to creditor payments.	Manager FMS
26	This would include a monthly reconciliation of the creditors	Manager FMS

8. VAT COMPLIANCE

As required by law, all suppliers will be vetted for VAT compliance by either verifying with the CSD report 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. , however the payments will not be withheld as a result of non-compliance unless SARS inform the entity through a correspondence to withhold such payments

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. However, the payments will not be withheld as a result of non-compliance unless SARS inform the entity through a correspondence to withheld such 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.

9. POLICY REVIEW

This policy will be reviewed annually or revised as necessary.