



social development

Department:
Social Development
PROVINCE OF KWAZULU-NATAL

POLICY ON MANAGEMENT OF CREDITORS

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1. DEFINITIONS, ABBREVIATIONS AND ACRONYMS

- 1.1. **“Accounting Officer”** means a person mentioned in section 36 of the PFMA;
- 1.2. **“BAS”** means the Basic Accounting System;
- 1.3. **“CFO”** means the Chief Financial Officer referred to in Chapter 2 of the National Treasury Regulations;
- 1.4. **“Creditor”** means the person or organisation to which money is owed for services rendered or goods supplied;
- 1.5. **“Creditors Section”** means the section or nominated officials responsible for the creditors function;
- 1.6. **“CSD”** means Central Supplier Database;
- 1.7. **“EBT”** means Electronic Bank Transfer, an electronic payment made directly into a creditor’s bank account via BAS;
- 1.8. **“Invoice”** means the document submitted by the creditor stating the quantity and the description of goods delivered or services rendered and the amount charged;
- 1.9. **“PFMA”** means the Public Finance Management Act, 1999 (Act 1 of 1999);
- 1.10. **“SCM”** means Supply Chain Management;
- 1.11. **“Statement”** means the summary of all transactions, from a vendor/supplier that occurred during the previous month and their effect on an open account balance; and
- 1.12. **“Treasury Regulation”** means the regulations issued by National Treasury in terms of the PFMA.

2. INTRODUCTION

- 2.1 The National Treasury Regulations issued in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) stipulates that payments to suppliers are to be made within 30 days of receiving an invoice, or in the case of civil claims, from date of settlement or judgement, unless specified otherwise in a contract.
- 2.2 Accounting Officers and Chief Financial Officers who delay payment for whatever reason, whether due to negligence, deliberately for cash management purposes, may not only open themselves to financial misconduct charges, but may also undermine government objectives such as promoting small, medium and micro-enterprises.

3. PURPOSE

The purpose of this policy is to outline the guiding principle for management of payment to creditors and to foster a culture of responsibility and accountability in the processing of payments and aims to ensure uniformity in its application.

4. OBJECTIVE

The objective of this policy is to ensure that payments to creditors are executed within the prescribed period and that internal procedures and measures are in place for payment approval and processing.

5. SCOPE OF APPLICABILITY

This policy applies to all employees in the Kwa-Zulu Natal Department of Social Development.

6. LEGISLATIVE FRAMEWORK AND OTHER MANDATES

- 6.1 The Constitution of the Republic of South Africa Act 108 of 1996;
- 6.2 The Public Finance Management Act 1 of 1999;
- 6.3 The National Treasury Regulations of 2005;
- 6.4 National Treasury SCM Instruction No 4A of 2016/17;
- 6.5 Relevant Provincial Treasury Instruction Note; and
- 6.6 National Treasury Instruction Note No 34 dated 30 November 2011

7. REGISTRATION OF SUPPLIERS ON NATIONAL TREASURY CENTRAL SUPPLIER DATABASE(CSD)

- 7.1 All suppliers must be registered on the National Treasury Central Supplier Database(CSD).
- 7.2 The CSD must be utilised as the single and only list of prospective suppliers for any procurement related activity. Reference must be made to National Treasury SCM Instruction No 4A of 2016/17: Central Supplier Database(CSD).

8. PAYMENT TO CREDITORS

- 8.1 There are two forms of payments: - sundry payment and order payment
- (a) The sundry payment is for recurring services rendered i.e. invoices for electricity, telephones, rent, etc. or a once-off payment.
 - (b) The order payment is for goods and services.
- 8.2 The prescribed method to pay creditors is by EBT (National Treasury Regulation 15.12.3 stipulates that ALL payments in excess of R2000.00 must be effected electronically unless otherwise approved by Provincial Treasury).
- 8.3 Payments may not be split to circumvent this regulation and any such non-compliance constitutes financial misconduct.
- 8.4 All the transactions must be supported by authentic and verifiable source documents e.g. requisition, quotation, purchase order, invoice and service level agreement approved by the Accounting Officer.
- 8.5 Payments must be made direct to the person that supplied the service or to whom the payment is due, unless otherwise agreed upon and approved by the delegated official.

9. REPORTING

- 9.1 Reports must be submitted to the Chief Financial Officer on the monthly status of creditor payments and suspected fraudulent transactions.
- 9.2 The Department must submit a report to Provincial Treasury monthly on invoices paid after 30 days and invoices older than 30 days that have not been paid as per the National Treasury Instruction Note No 34 dated 30 November 2011.

10. RECONCILIATION

- 10.1 Disbursement reports must be requested from BAS to reconcile the payments monthly.
- 10.2 The monthly statement reconciliation must be performed to show the status of all outstanding invoices.

11. KEY ROLES AND RESPONSIBILITIES

11.1 The Accounting Officer is responsible for:

- (a) ensuring that there are effective, efficient, economical and transparent systems of financial, risk management and internal control;
- (b) ensuring that the department maintains effective, efficient, economical and transparent use of resources of the department;
- (c) keeping full proper records of the financial affairs of the department in accordance with the prescribed norms and standards;
- (d) settling all contractual obligations and pay all monies owing, including intergovernmental claims, within the prescribed or agreed period;
- (e) complying with any regulations issued by the National and Provincial Treasury; and
- (f) approving payments in line with the approved departmental financial delegations.

11.2 The CFO is responsible for:

- (a) developing, implementing and evaluating whether controls for payment processing are appropriate;
- (b) identifying and assessing the possible risks facing the department;
- (c) monitoring adherence to all internal control measures whether manual or electronically;
- (d) monitoring compliance with financial management governance and regulatory frameworks;
- (e) implementing an effective system to maintain the effective tracking of invoices; and
- (f) approving and monitoring payments in line with the approved departmental financial delegations

11.3 The Responsibility Manager is responsible for:

- (a) ensuring that funds are available to procure the identified service/s or goods in line with the procurement plan;
- (b) certification of valid invoice/s received from creditors;
- (c) monitoring that payments due to creditors are settled within 30 days from date of receipt or, in a case of civil claims from date of settlement or court judgement.

11.4 Supply Chain Management is responsible for:

- (a) ensuring that the receipt of invoices from creditors, whether hand delivered or received by post, are date stamped and recorded in an invoice register;
- (b) ensuring that all invoices are supported by authentic verifiable source documents;
- (c) ensuring segregation of duties;
- (d) ensuring that all invoices received reflects creditor's details, banking details description, amount, quantity, invoice number, invoice date, purchase order number, delivery address and VAT registration number where applicable;
- (e) ensuring that payments due to creditors are settled within 30 days from date of receipt or, in case of civil claims from date of settlement or court judgement; and
- (f) ensuring that expenditure is authorised by the delegated officials.

11.5 Finance Unit/s is responsible for:

- (a) ensuring that payments due to creditors are settled within 30 days from date of receipt or, in case of civil claims from date of settlement or court judgement;
- (b) ensuring that all invoices are supported by authentic and verifiable source documents prior to processing payments;
- (c) ensuring segregation of duties;
- (d) ensuring that payment to creditors are processed on BAS;
- (e) maintaining monthly accounts payable age analysis;
- (f) ensuring daily and monthly reconciliation of payments authorised on BAS
- (g) ensuring safe keeping of payment vouchers; and
- (h) ensuring that expenditure is authorised by the delegated officials.

12. NON-COMPLIANCE

An employee who fails to comply with this policy shall be guilty of an act of Misconduct.

13. MONITORING, EVALUATION AND REVIEW

The Policy will be monitored, evaluated and reviewed after three (3) years or as when the need arises.

14. TITLE OF THE POLICY

The policy shall be called Policy on Management of Creditors

15. POLICY APPROVAL

This policy is approved with effect from the 24 day of January in the 2020 year.....

APPROVED/ NOT APPROVED

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a dotted line.

Mr. SG. NGUBANE

ACTING HEAD OF DEPARTMENT: SOCIAL DEVELOPMENT