| POLICY TITLE | CREDITORS' POLICY |
|---|---|
| DATE OF APPROVAL | 22 May 2025 |
| REVIEW DATES | 21.05.2026 |

## 1. STATUTORY FRAMEWORK

In terms of section 13(1) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) (MFMA) the Minister of Finance may prescribe a framework within which the Municipality must conduct its cash management. Section 13(2) of the MFMA requires that the Municipality must establish an appropriate and effective cash management policy, which must comply with the framework prescribed by the Minister.

The Entity must, when it approves the annual budget for each year, also approve a cash flow projection for the year by revenue source broken down per month in terms of section 17(3)(c) of the MFMA, The Entity's multi-year business plan must contain revenue and expenditure projections for each month as required by section 53(3)(a) of the MFMA. The Accounting Officer must ensure, in terms of section 54(1)(d) of the MFMA that spending of funds and revenue collection proceed according to the budget.

The Accounting Officer must in terms of section 65 (2) of the MFMA for the purpose of giving account of the discharge of her/his responsibilities in respect of expenditure management take all reasonable steps to ensure:

(a) that the Entity has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;

(b) that the Entity has and maintains a management, accounting and information system which recognises expenditure when it is incurred, and which accounts for creditors of and payments made by the municipality;

(c) that the Entity has and maintains a system of internal control in respect of creditors and payments;

(d) that payments by the Entity are made directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed and either electronically or by direct deposit. No cash payments, payments by way of non-transferable cheques or cash cheques may be made.

(e) that all money owing by the Entity be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise by the Minister of Finance in terms of a regulation for certain categories of expenditure;

(f) that the Entity complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;

(g) that any dispute concerning payments due by the Entity to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;

(h) that the Entity's available working capital is managed effectively and economically in terms of the bank and cash management policy of the Entity and within the framework prescribed by the Minister of Finance and;

(i) that the Accounting Officer take all reasonable steps according to the MFMA Act No. 56 of 2003 sec5(2) to ensure expenditure management;

(j) that all financial accounts of the Entity are closed at the end of each month and reconciled with its records.

## 2. POLICY OBJECTIVE

The objective of this policy is to have a standard payment system in place with clear objectives regarding payment policies and dates which objectives are measurable in terms of service delivery targets.

## 3. PAYMENT OF CREDITORS

3.1 The GM: Finance, HR and Administration shall ensure that all contracts awarded by the Entity stipulate payment terms that are favourable to the Entity. As far as possible, payment should fall due not sooner than 30 days from the invoice date, unless:

(a) there are financial incentives for the Entity to effect earlier payment; or

(b) in the case of small, micro and medium enterprises where the total income derived from contract work rendered to the Entity does not exceed R200, 000.00 in a financial year.

This policy may cause financial hardship to the contractor in which case payment may be effected at the end of the month during which the service is rendered, goods supplied or work executed, or within fourteen days of the date of such service being rendered, whichever is the latter, provide that no more than two (2) payments will be effected during any period of thirty (30) days. Any such early payment shall be approved by the GM: Finance, CS and Administration or delegated official before any payment is made.

3.2 Notwithstanding the foregoing, the GM: Finance, CS and Administration shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if there are financial incentives for the Entity to do so.

3.3 No payment for the provision of a service, the supply of goods or the execution of work shall be processed unless an original supplier invoice containing a reference to the relevant purchase order and such other relevant information as the SM: Finance, HR and Administration may determine, has been received.

3.4 Supplier invoices processed for payment shall be certified to represent goods received, services rendered or work executed in a manner and to a standard acceptable to the relevant departmental head and, where applicable, the relevant contract manager or according to contract.

3.5 Supplier invoices shall be submitted to the Finance and Administration Office. Any invoice submitted to another department shall be forwarded forthwith to the Finance and Administration Office.

3.6 The GM: Finance, CS and Administration shall not ordinarily process payments for invoices received, more than once during each calendar month, such processing to take place on or about the end of the month concerned. Special payments to creditors shall only be made with the express approval of the SM: Finance, HR and Administration, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing. All payments are subject to the submission of the correct and relevant paperwork being submitted and that all legislative requirements are met.

3.7 All payment shall be effected by means of electronic transfer and not by cheque. The Accounting Officer shall prescribe such procedures and measures as may be reasonably necessary to ensure that the banking details supplied by creditors who request payments by the Entity to be made by electronic transfer or direct deposit into the relevant creditor's bank account are correct, including requesting the bank concerned to verify such information, provided that the Entity may recover any cost it may have incurred in connection with such verification on the creditor concerned.

3.8 All payments, other than petty cash disbursements, shall be made through the Entity's bank account(s).

3.9 The GM: Finance, CS and Administration shall:

(a) draw all electronic transfers (EF transfer) on the Entity's primary bank account;

(b) in consultation with the Accounting Officer, determine:
  (i) procedures relating to the signing of cheques/ authorising Electronic transfers, and
  (ii) appropriate signatories.

3.10 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the GM: Finance, CS and Administration. Such vouchers shall be authorised in terms of such procedures as are determined from time to time by the GM: Finance, CS and Administration and shall be accompanied by such supporting documents as the CFO may determine.

3.11 The maximum amount and nature of petty cash disbursements shall be determined from time to time by the GM: Finance, CS and Administration and approved by the Board, subject to the Entity's supply chain management policy and any legislation in this regard. No cash float shall be operated without the authority of the GM: Finance, CS and Administration, who may prescribe such procedures relevant to the management of such float as may be considered necessary.

3.12 The GM: Finance, CS and Administration shall be responsible for the payment of all salaries and remuneration benefits to employees and board members and for the determination of the payment system to be used.

## 4. CASH MANAGEMENT PROGRAMME/CASH FLOW PROJECTION

4.1 The GM: Finance, HR and Administration shall:

(a) prepare an annual estimate of the Entity's cash flows divided into calendar months (per month per revenue source); and

(b) update this estimate at least on a Quarterly basis.

4.2 For the purpose of par 4.1 each departmental head shall supply such information to the GM: Finance, CS and Administration as may be required.

4.3 The cash flow estimate shall indicate:

(a) when, for what periods and the amounts of surplus revenues that may be invested;

(b) when and for what amounts investments will have to be liquidated; and

(c) when, if applicable, either long-term or short-term debt must be incurred.

4.4 The GM: Finance, CS and Administration shall report on a Quarterly basis to the Board:

(a) the cash flow estimate or revised estimate for such Quarter;

(b) the actual cash flows for the Quarter immediately preceding the quarter in respect of which an estimate is submitted;

(c) the estimates or revised estimates of the cash flows for the remaining months of the financial year;

(d) any movements in respect of the Entity's investments; and

(e) such other details regarding the Entity's investments as may be relevant.

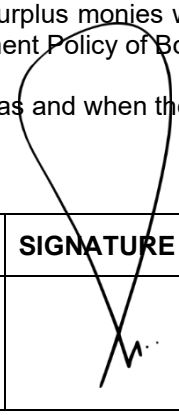
4.5 The GM: Finance, CS and Administration shall provide comments or explanations in regard to any significant cash flow deviation in any Quarter forming part of such report.

4.6 All investments of surplus monies will be dealt with in accordance with the approved Bank and Cash Management Policy of Board.

**5. POLICY REVIEW**

This policy will be reviewed as and when the need arises.

**6. APPROVAL**

| NAME | SIGNATURE | DESIGNATION | DATE |
|---|---|---|---|
| **Mr. Sandile Dlomo** |  | **CHAIRPERSON: SCTIE** | **21.05.2026** |