



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 10

ACCOUNTS PAYABLE POLICY

2023/24 BUDGET (MAY 2023)



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1. DEFINITIONS AND ABBREVIATIONS

ABBREVIATIONS

“AP” - Accounts Payable

“BBBEE” - Broad-based Black Economic Empowerment

“EDI” - Electronic Data Interchange

“EFT” - Electronic Funds Transfer

“GRN” - Goods Received Note

“PDF” - Portable Document Format

“SARS” - South African Revenue Services

“SCM” - Supply Chain Management

“SES” - Service Entry Sheet

“VAT” - Value Added Tax

“PSRM” - Public Sector Records Management

“IDP” - Integrated Development Plan

“POPIA” – Protection of Personal Information Act

DEFINITIONS

“Accounting Officer” means a person appointed in terms of section 54A of the Municipal Systems Act.

“Accounts Payable” means money owed by an organization to its supplier/s (Trade Creditors) for goods and services purchased on credit. Also referred to as the responsible unit dealing with supplier payables.



“A Construction Contract” means a contract specifically tendered/ negotiated for the construction of an asset or the maintenance of assets that necessarily takes a substantial period of time to complete and may stretch over more than one financial year.

“Broad-based Black Economic Empowerment” (BBBEE) is an integration programme launched by the South African government to reconcile South Africans and redress the inequalities of apartheid by attempting to compensate for land that was disposed from Africans. It encourages businesses to integrate black people in the workspace, upskill and mentor, support black businesses, give back to mainly poor communities across the country which remain poor due to the land dispossession and a majority of this communities are black South Africans. Land still rests with white minority capitalist for this exercise businesses are awarded points which they can claim on their BBBEE certificate. This certificate is used in compliance with government spend regulations. Businesses with a good level in BBBEE stand a good chance on government contracts.

“City” means the City of Cape Town, a municipality established by the City of Cape Town Establishment Notice No. 479 of 22 September 2000, issued in terms of the Local Government: Municipal Structures Act, 1998, or any structure or employee of the City acting in terms of delegated authority.

“Credit Note” means a document provided by a supplier, stating that a certain amount has been credited to the City’s account due to supplies returned.

“Disbursement Transaction” means the payment of invoices received for goods and services.

“Electronic Fund Transfer” means the electronic movement of funds from the City’s main bank account to the different suppliers’ bank accounts in the same or different banks, through the use of wire transfer, automatic teller machines or computers but without the use of paper documents.

“Goods Receipt Note” means a confirmation document by the receiving department or requisitioner that shows that the ordered goods/services were received. It is used along with a purchase order (PO) in the “three-way match” to authorize invoice payment.

“Invoice” means a non-negotiable commercial instrument issued by a supplier to the City identifying both trading parties, lists/describes and quantifies the items/services provided, and shows the date of supply together with prices, discounts (if any), delivery and payment terms.

“MFMA” means Municipal Finance Management Act No 56 of 2003.

“Payment” means the partial or complete discharge of an obligation by its settlement in the form of the transfer of funds on an approved outstanding invoice.



“Purchase Order” means the City’s official authority to deliver goods and/or services at a specified price, place, time and terms.

“Registry Section” means depository for the receiving of invoices and statements for distribution to the processing staff and the safekeeping of such documents for audit purposes.

“Standard Payment terms” refers to the standard payment terms on official purchase orders: Payment of invoices will be made within 30 days of receiving the relevant invoice or statement.

“Statement” means summary of all transactions debits or credits with a supplier that occurred during the previous month and their effect on an open-account balance. It is also called a statement of account.

“Sundry Invoices” means invoices which relate to ad hoc and/or once off payments, which are not linked to a purchase order number.

“Tax Invoice” means the elements of what depicts a valid Tax Invoice. Refer to SARS VAT 404 – Guide for Vendors

“VAT” means Value Added Tax. VAT is a consumption tax levied on goods and services at each step of the production/distribution cycle. An indirect tax, VAT is paid by manufacturers, distributors and retailers when they receive goods in their inventories. Businesses are able to recover VAT payments through tax deductions, with the cost of the tax ultimately paid by the end-consumer.

“Supplier Database” means a central database maintained and managed by Supply Chain Management Directorate.

2. POLICY STATEMENT

- 2.1 In compliance with the Municipal Finance Management Act (No. 56 of 2003), Local Government: Municipal Systems Act (No. 32 of 2000), the King IV Code on Corporate Governance in South Africa (2009) and any other applicable legislation, the City must establish and maintain an adequate internal financial management control system.



- 2.2 Section 65 of the Municipal Finance Management Act states that the Accounting Officer of a municipality is responsible for the management of the Expenditure of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, hence this policy.
- 2.3 The Accounts Payable Policy document serves to support the concept of cost containment and control measures necessary within Accounts Payable.
- 2.4 Further it is deemed:
- Information document that ensures that the users of the Accounts Payable service have an understanding of what is required.
 - A working document to make Accounts Payable processes more effective.

3. DESIRED OUTCOME

- 3.1 The main desired outcome of this policy is to ensure the City's compliance with Section 65 (2) (e) of the MFMA which requires that the Accounting Officer must take all reasonable steps to ensure: -
- That all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
 - Further, to comply with all applicable provisions of MFMA including any National Treasury Circulars/Guidelines specifically adopted by Council in terms of MFMA.

4. STRATEGIC FOCUS AREAS (INTENT)

- 4.1 The City's Five Year IDP (2022-2027) identifies six priorities and three foundation areas, which support the vision of creating a City of Hope and provide a solid foundation for the articulation of service delivery. The priorities and foundation areas are:
- Priority:
1. Economic Growth
 2. Basic Services
 3. Safety
 4. Housing
 5. Public Space, Environment and Amenities
 6. Transport



Foundation:

1. A resilient City
2. A more spatially integrated and inclusive City
3. A capable and collaborative City government

The City has identified linked objectives and programmes within the above areas.

4.2 This policy supports the following priority/foundation area, objective and programme:

- Foundation No 3 and Objective No 16
A capable and collaborative City government
- Programme No 16.1 - Operational sustainability Programme
- Project/Initiative Numbers
 - 16.1.A - Strategy-led budgeting initiative
 - 16.1.B - Functional assignments reform initiative
 - 16.1.C - Programme and project impact assessment initiative
 - 16.1.D - Effective supply chain management initiative

4.3 This programme aims to ensure financial sustainability and procurement excellence.

5. PURPOSE

5.1 The purpose of this policy is to prescribe a process to be followed for control and processing of all payments in terms of the Municipal Finance Management Act, Act no 56 of 2003.

6. SCOPE OF APPLICATION

6.1 This Policy is applicable to: -

- All official payments made by the City to Suppliers of the City or other duly authorized payments.
- Exceptions to this policy may be considered on receipt of fully motivated applications in this regard for consideration by the delegated authority.

7. REGULATORY CONTEXT

7.1 This policy is developed and guided by the following Legislations and Regulations, amongst others: -

- Municipal Finance Management Act (MFMA), Act No. 56 of 2003
- Value Added Tax Act 89 of 1991



- Preferential Procurement Policy Framework Act 2000 (Act 5 of 2000)
- Broad-Based Black Economic Empowerment Act (Act 53 of 2003)
- Preferential Procurement Regulations, 2001
- Local Government: Municipal Systems Act (Act No. 32 of 2000)
- Provincial Archives and Records Services of SA Act
- Income Tax Act 58 of 1962 (as amended)
- King Code IV of Corporate Governance
- Integrated Development Plan
- EDP toward 2040 Plan: Unlocking Our Potential
- City of Cape Town System of Delegations
- Supply Chain Management Policy (Incorporating Preferential Procurement)
- Relocation Assistance Policy for new employees (September 2020)
- Protection of Personal Information Act (POPI Act) 4 of 2013
- Credit Control & Debt Collection Policy: - *Clause 6.5 of this Credit Control & Debt Collection Policy states that: "The City shall not conduct any business activity with or provide any services to any persons who are in arrears with municipal accounts except as provided for in legislation or policy and as determined by the City from time to time, nor will any refunds of credits or any payments for services rendered be made to any debtor or any debtor's nominee or service provider who is in arrears with their Municipal account."*
- Applicable by-laws

7.2 By the direction of this Credit Control & Debt Collection Policy and when requested by Revenue Department, Accounts Payable deducts arrears from any service provider.

8. ROLE PLAYERS AND STAKEHOLDERS

- 8.1 The principal role player is the Finance Directorate. The Expenditure Department will be responsible for implementing this policy and administering its implementation and evaluation.
- 8.2 Line Departments have the onus to ensure that all contractual obligations and relevant documents are in place in support of approval of payments.
- 8.3 Below is an outline of the affected role-players and stakeholders, amongst others:
- Finance Portfolio Committee - internal
 - Human Resources Office - internal
 - Mayor's Office - internal
 - Strategic Policy Unit - internal
 - Public Participation Unit - internal
 - All other City Directorates - internal secondary



- Auditor General - external government
- Western Cape Local Government Department - external government
- SALGA - external government
- Other Government Departments - external government
- SARS - external government
- Suppliers of the City - external

9. POLICY DIRECTIVE DETAILS

9.1 TRADE CREDITORS ORDER PAYMENTS

- 9.1.1 Goods and services for the City of Cape Town will be procured by means of an official order in accordance with the Preferential Procurement Policy.
- 9.1.2 The Procure to Pay process is designed to limit risks of unauthorized purchases and improve budgetary control of the City's expenditure.
- 9.1.3 Invoices & EDI's, with reference to an official purchase order, shall be accepted for the processing of a payment.
- 9.1.4 Should the supplier be VAT registered then invoices must be SARS compliant.
- 9.1.5 Accounts Payable process these payments in good faith using the 3-way match principle (The 3 –way match consists of the unit price and quantity on the PO; the quantity entered in the goods receipt and the quantity and value of the invoice.)
- 9.1.6 Line departments must ensure that relevant supporting documents are available on request including for audit purposes.

9.2 SUNDRY PAYMENTS

- 9.2.1 Sundry Payments are allowable exceptions to the Formal Procurement Procedures as stipulated in the Supply Chain Management Policy under the heading: Deviation from the Procurement Processes and therefore cannot be processed using the Procure to Pay process.
- 9.2.2 Sundry Payment relate to specific disbursements which may include ad hoc payments relating to refunds, third party claims, license fees, relocation Sundry expenses etc.



- 9.2.3 Should the supplier be VAT registered, and then invoices must be SARS compliant.
- 9.2.4 All Sundry payment requests, must be submitted electronically for payment, and must be accompanied by a duly completed and digitally authorized Payment Request Form.
- 9.2.4.1 All requests to be submitted to following central e-mail address:
AccountsPayable.RegistrySundries@capetown.gov.za
- 9.2.5 Delegated Authority/Line department must ensure that the payment request form validating the payment, is accompanied by all applicable documentation.
- Line departments remain the accountable and responsible custodians of all documentation submitted to Accounts Payable. They must ensure that all (additional relevant supporting) documents are available on request, for oversight and audit purposes; therefore, indemnifying Accounts Payable of the validity of the submitted documentation.
- 9.2.6 All Sundry payment requests are reviewed frequently in a bid to follow the Procure to pay process.
- 9.2.7 All Sundry Payment requests will be captured using the following processes:
1. Workflow Approval Process
 2. Direct Payment Process
- 9.2.7.1 Workflow Approval Process: This process relates to cost centers which are linked to the workflow process which allows Cost Centre Owners to consider and release the payment.
- 9.2.7.2 Direct Payment Process: This relates to a process where Cost Centers and GL's are not linked to the workflow process and therefore do not allow for Cost Center Owners to release the payments. In cases like these, Accounts Payable will proceed with the payment based on the duly approved payment request form and applicable supporting documentation.
- 9.2.8 The Direct Payment Method will not be used to circumvent the Workflow Approval Process in the event that Cost Centre owners are not available to release the payment. It is the responsibility of Line department to ensure that an alternative Cost Centre Releaser is available to release payments.



9.3 PROCESSING OF PAYMENTS

- 9.3.1 The Payment Processing Section is responsible for the payment of approved disbursements.
- 9.3.2 All payments will be done via EFT in the following manner: -
- Foreign Transfers
 - Local Transfers
- 9.3.3 Remittances are automatically distributed in-line with the supplier's correspondence preference.
- 9.3.4 Frequency of payments will be effected as follows: -
- Goods and Services - Weekly cycle
 - Construction Related - Daily cycle
 - Refunds – Daily cycle
 - Settlement Discounts (Approved) – Daily cycle

9.4 REGISTRY

- 9.4.1 The Accounts Payable registry function is performed internally and does not make use of the corporate registry function of the City.
- 9.4.2 Due to technological advancements, Accounts Payable's business processes have changed to a degree that hardcopy invoices are no longer used to process payments. All documents must be submitted electronically, however to accommodate unforeseen circumstances and/or smaller suppliers with no electronic resources hardcopy invoices will still be accepted and scanned for payment. The closing of the Accounts Payable Registry will be done systematically; all paper based records will be destructed according to the approved retention periods in line with the regulations of the Provincial Archives and Records Services of SA Act.
- 9.4.3 Electronically received documents are automatically stored in PSRM and forwarded for processing.
- 9.4.4 All documentation received can be viewed digitally in PSRM.



9.5 PAYMENT TERMS FOR GOODS AND SERVICES (In line with SCM Policy)

- 9.5.1 Payment of invoices will be made within 30 days of receiving the relevant invoice or statement, unless otherwise prescribed for certain categories of expenditure or specific contractual requirements in accordance with any other applicable policies of the City.
- 9.5.2 All completed invoices for goods and services will be paid on a weekly basis and construction related invoices will be paid daily.
- 9.5.3 Notwithstanding anything contained above, the City shall not be liable for payment of any invoice that pre-dates the date of delivery of any goods or services, or the date of certification for construction works.
- 9.5.4 Should the processing of a payment be delayed due to the late submission of documentation, any penalties imposed will be for the account of the functional business area. Any queries will also be referred to such line department.
- 9.5.5 No official shall commit Council to making a payment outside the scheduled payment terms.**

9.6 SETTLEMENT DISCOUNTS

- 9.6.1 Settlement discounts are considered, when offered for earlier payment, and will be taken with due cognizance that it will not negatively impact on the City's cash flow status and be of benefit to Council.
- 9.6.2 The settlement discounts will be recognized as a source of income.

9.7 RECONCILIATION OF SUPPLIER STATEMENTS

- 9.7.1 The reconciliation of supplier's monthly statements, when received, will be performed on an ongoing basis.
- 9.7.2 In the absence of a statement, a reconciliation will be performed on the supplier account (within the City of Cape Town financial system) and the outcome thereof will be submitted to the supplier for confirmation.



9.8 PARKED INVOICES

- 9.8.1 Suppliers forward invoices to AP using one of the 3 mechanisms (post, e-mail or courier) of submitting invoices for payment.
- 9.8.2 These invoices are “reserved” in the financial system awaiting action by the line department to initiate the 3-way match principle.
- 9.8.3 Line departments have the responsibility to action all parked invoices to ensure that all related queries are resolved for payment within the payment terms. This action will result in the invoice being paid. However, if an anomaly exists on the invoice, the supplier must be informed by line department thereof in writing to cancel the invoice and re-submit. Thereafter AP needs to be informed and the parked invoice will be deleted

9.9 YEAR END PROCESS

- 9.9.1 Year-end Processes are guided by the Annual Directives issued by the City’s Treasury Department.

9.10 GRN’S

The administration of GRN’s is the responsibility of line department where all original signed/approved source documents are retained for audit purposes.

- 9.10.1 GRN’s must be completed immediately after the goods and services have been satisfactorily delivered.
- 9.10.2 GRN’s should be processed using a delivery note and/or if not supplied, a Copy Invoice received from the Supplier. Any other form of proof of delivery may also be used.
- 9.10.3 SES for Construction Contracts should be processed using a payment certificate.
- 9.10.4 It is compulsory for all relevant and acceptable supporting documents to be attached to the electronic GRN as assurance and validation before posting is allowed.
- 9.10.5 Line departments remain the accountable and responsible custodians of all supporting documentation attached to the electronic GRN. They must ensure that all (additional relevant supporting) documents are available on request, for oversight and audit purposes; therefore, indemnifying Accounts Payable of the validity of the supporting documentation.



Accounts Payable is responsible for the processing of invoices. When the goods/services received have been correctly processed on financial system, the invoice will meet the 3-way match and will be successfully processed. (The 3 –way match consists of the unit price and quantity in the PO; the quantity entered in the goods receipt and the quantity and value of the invoice.)

9.11 ADVANCE PAYMENTS

This policy allows for advance payments in respect of goods and services procured which may, amongst other include training, conferences, events, subscriptions and license fees. Line departments need to determine, if any of the above goods or services are cancelled, what the recourse clauses are to safeguard the City against fruitless and wasteful expenditure.

However, this excludes the applicable advance payment guarantees as referred to in the SCM policy. In such instance, documented proof of an acceptable advance payment guarantee, which is justified as in accordance with the rules determined by the Director: Supply Chain Management and authenticated by the City's Treasury Department, must be attached to the SES transaction.

9.12 INTEREST ON LATE PAYMENTS

No interest will be payable by the Municipality on any late payments, regardless of nature, unless approved by Council or directed by the Court of Law.

In cases where the interest charge is due to the negligence of an official, the expenditure will be classified as fruitless and wasteful expenditure.

10. IMPLEMENTATION, EVALUATION AND REVIEW

10.1 This policy framework is important for the Financial Compliance of the City. It provides an all-inclusive administrative procedure for the management of Accounts Payable.

- The revised Accounts Payable Policy shall be implemented once approved by Council.
- Directorates must ensure that during implementation stages of the policy, there is consistent monitoring and evaluation of the policy as indicators will prevent blockages within the policy implementation phases.
- This policy must be reviewed annually as part of the budget process or more frequently if required.
- Changes in legislation must be taken into account for future amendments to this policy.
- Any amendments to this policy must be submitted to Council for approval.