

QUALITY MANAGEMENT SYSTEM

PL-005A-FIN
Creditors Management
Policy

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CREDITORS MANAGEMENT POLICY

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1. PURPOSE

The purpose of this policy is to provide guidance on the management of creditors at the College.

2. SCOPE

All payments due to the College.

3. LEGISLATIVE FRAMEWORK AND BEST PRACTICE REGULATIONS

Key principles contained in the following legislation and best practices were applied to develop this policy:

- a) CET Act No.16 of 2006, (as amended) (formerly the FET Colleges Act);
- b) Public Finance Management Act, 1999 (Act No 1 of 1999, as amended by Act 29 of 1999);
- c) National Treasury Regulations of March 2005;
- d) [Draft] National Treasury Regulations Gazetted 30 November 2012; and
- e) National Treasury Instruction Note Number 34, dated 30 November 2011.

Further, the following Council adopted policies are integral to this policy:

- a) Supply Chain Management Policy;
- b) Delegation of Authority Framework Finance and Governance; and
- c) Cash flow and cash resources Policy.

4. RESPONSIBILITY

4.1 Responsibility of the Accounting Officer

The Accounting Officer will ensure, through delegating the responsibility to the Deputy Principal Finance that internal procedures and internal control measures are in place for payment approval and processing of creditors.

4.2 Commitment to Expenditure

4.2.1 All commitments for expenditure must be in writing using purchase orders that are approved in accordance with the College's delegation of authorities.

4.2.2 Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or conditions imposed by the delegation of authorities, approved operational budget or capital budget and the Supply Chain Management policy.

5. AUTHORISATION OF PAYMENTS

The College will act in accordance with the stipulations of the Act and the approved College Delegation of Authorities.

6. PAYMENT PROCESS

6.1 Unless determined otherwise, in a valid contract or other written agreement, all payments due to bona fide creditors must be settled within 30 days from date of statement for goods or services already received or, in the case of civil claims, from the date of settlement or court judgement in accordance with best practice, Treasury Regulation 8.2.3.

6.2 The College is required to have in place an Accounting system that will enable the tracking of each invoice received from the various service providers.

6.3 The accounting system referred to in paragraph 6.2 above may either be manual or electronic and such a system must also be able to track progress with the processing of each invoice. At any given time, such a system must be able to provide information related to the date on which the goods or services were received, the date an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment.

6.4 All claims presented for payment must be accompanied by the approved purchase order, the delivery note, goods received note or invoice signed by the person accepting delivery of the goods or services. The person accepting delivery of the goods or services verifies that the goods and services have been delivered according to the approved purchase order and confirms that the supplier has met all the requirements to receive payment.

6.5 Monthly accounts and statements of outstanding balances, submitted by the suppliers to the College, should be checked with College records and, should there be a discrepancy, the matter

should immediately be reported, in writing, to the supplier concerned. Major or regular suppliers must be requested to submit monthly statements confirming the amount owing at a point in time. Invoices reflected on statements but not yet received must be followed up immediately with the suppliers.

For irregular or once-off suppliers, alternative methods of verification may be requested. Records of positive verification should be filed by the accounts payable section of finance.

- 6.6 Prior to a supplier payment being made, it must be checked to ensure that all supply chain management requirements have been complied with, in particular:
- a) there is an appropriately authorised and signed requisition;
 - b) the appropriate number of quotations were obtained in accordance with the Supply Chain Management policy;
 - c) an order was generated and delivered to the supplier;
 - d) goods have been delivered or services rendered in accordance with the order placed, and have been appropriately signed for as received or rendered; and
 - e) payment is in accordance with the order and invoice.
- 6.7 Prior to a payment being made, the person checking the payment voucher should be satisfied that that the claim is:
- a) a proper charge against College funds, and has not already been paid. The reviewer should review the creditors reconciliation for unallocated transactions;
 - b) in accordance with the approved order;
 - c) authorised in terms of the Delegation of Authority Framework;
 - d) correct with regard to the period covered by the claim;
 - e) correct with regard to computations;
 - f) supported by original documentation;
 - g) supported by the signed delivery or goods received note;
 - h) returned to the person from whom it originated, for cancellation or correction, should the approval be found to be defective or there is reasonable doubt as to its accuracy.
- 6.8 Once payment has been made to a supplier for goods or services rendered, the following control measures should apply:
- a) all payments and supporting documents should be stamped "PAID" and all documents appropriately filed;
 - b) the payment documents should be safeguarded, for audit purposes, in a secured room ; and
 - c) access to all accounting records should be regulated and only authorised personnel permitted access.
- 6.9 Payments should be made within 30 days of date of statement in accordance with paragraph 6.1 and with due regard for efficient, effective and economical programme delivery and the normal terms for account payments, unless settlement discounts are obtainable.
- 6.10 Pre-payments for goods or services (i.e. payments in advance of the receipt of goods or services) are not allowed unless required by the contractual arrangements with the supplier.
- 6.11 Discounts to effect early payment should only be accepted when they financially benefit the College and when the early payment can be accommodated in the monthly cash flow projections.
- 6.12 The Accounting Officer should ensure that all tenders and quotations invited by, and contracts entered into by the College, stipulate payment terms within 30 days from date of statement unless discounts financially favourable to the College are offered.
- 6.13 Special payments to creditors shall only be made with the express approval of the Accounting Officer, or by persons to whom delegation has been made, who shall be satisfied that there are compelling reasons for making such payments prior to the normal payment processing period.

- 6.14 Any overpayments relating to creditors should be recovered as soon as possible. Where regular payments are made to suppliers, the amount should be recovered from the first subsequent payment.
- 6.15 A creditor's reconciliation should be prepared for each active supplier account on a monthly basis. (Refer 6.6 above).
- 6.16 Processes to be followed if there is a dispute over the terms or amount to be paid.
- a) If there are any grounds to question the amount on the invoice or the service performed, the matter with all accompanying documentation should be taken up with the creditor.
 - b) Where all reasonable avenues to resolve the dispute have failed, the College may seek remedies through the legal system.

7. GLOSSARY

For the purpose of this policy, unless the context indicates otherwise, the following definitions, acronyms and abbreviations are set out for the terms indicated:

- 3.1 **"Accounting Officer"** – is the College Principal.
- 3.2 **"Act"** – is the CET Act No.16 of 2006, as amended.
- 3.3 **"College"** – is the College of Cape Town.