

Department of Higher Education and Training

Recommended

Creditors Management Policy for Public CET Colleges



**Free State
CET College**
Community Education
and Training College

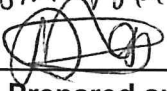
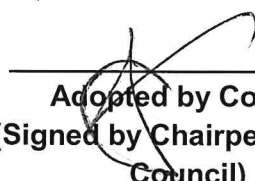
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AMENDMENT AND APPROVAL RECORD

Amendment No.	Amendment description	Originator	Approved by	Date

Name of CET College: Free State Community Education and Training College		
Creditors Management Policy		
Department: Finance Responsibility : Accounting Officer		
<p><i>MA Matlwa</i></p> <p></p> <hr/> <p>Prepared and submitted by the Accounting Officer to Council</p> <p>Date: <u>23/01/2018</u></p>	<p><i>Mr F-R Sile</i></p> <p></p> <hr/> <p>Adopted by Council (Signed by Chairperson obo Council)</p> <p>Date: <u>24/01/2018</u></p>	<p>Implementation Date:</p>

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1. Legislative framework and best practice regulations

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

- a) CET Colleges Act No.16 of 2006, (as amended) (formerly the ABET 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 Department recommended and 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.

2. Purpose

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

3. Definitions, acronyms and abbreviations

For the purpose of this policy, unless the context indicates otherwise, the following definitions, acronyms and abbreviations are set out for the terms indicated: **“Accounting Officer”** – is the College Principal.

3.2 **“Act”** – is the CET Colleges Act No.16 of 2006, as amended.

3.3 **“College”, “CETC”** – is a Community Education and Training College.

3.4 **“Department”; “DHET”** – is the Department of Higher Education and Training.

3.5 **“DPF”** – is Deputy Principal Finance.

3.6 **“Employee”** – is any official, employed by the College, irrespective of grade, full-time or part-time, Council or Departmental appointed, or paid on a salaried or an hourly/daily individual basis.

3.7 **“Minister”** – is the Minister of the Department of Higher Education and Training.

3.8 **“Performance guarantee”** – is a form of financial security required by the College to secure the performance of the contractual obligations of a contractor or supplier. It usually provides for a monetary amount that may be called upon by the College in the event of a contractor or supplier's failure to perform its obligations under the contract.

3.8 **“SCM”** – is Supply Chain Management.

4. Responsibility

4.7 Responsibility of the Accounting Officer

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

4.8 Commitment to Expenditure

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

4.8.2 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.

4.9 Authorisation of Payments

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

5. Payment process

5.1 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 receipt of an invoice 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.

5.2 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.

5.3 The accounting system referred to in paragraph 5.2 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

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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.

- 5.4 All claims presented for payment must be accompanied by the approved purchase order, the delivery note or goods received note signed by the person accepting delivery of the goods or services and the payment voucher approved by the appropriate employee or line manager who 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.
- 5.5 By approving the payment voucher, the signatory confirms that services rendered and/or goods delivered under contract is in accordance with the conditions of the contract.
- 5.6 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. 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.
- 5.7 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 SCM 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.
- 5.8 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;

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- 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.
- 5.9 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 or a registry that is fire-resistant; and
 - c) access to all accounting records should be regulated and only authorised personnel permitted access.
- 5.10 Payments should be made within 30 days in accordance with paragraph 5.1 and with due regard for efficient, effective and economical programme delivery and the normal terms for account payments, unless settlement discounts are obtainable.
- 5.11 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.
- 5.12 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.
- 5.13 The College should compare the Creditors Payments to its Cash flow projections and where applicable, align the Cash flow projections to ensure that the projections are an accurate reflection of the cash requirements of the college. When planning its procurement processes the College needs to have due regard to available cash as reflected by the cash flow forecast and its ability to pay its creditors.
- 5.14 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 receipt of invoice unless discounts financially favourable to the College are offered.
- 5.15 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.

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- 5.16 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.
- 5.17 Any amount that is not a legitimate charge against a budgeted operational or capital expenditure item should immediately be allocated to a suspense account, until it is recovered or until an adjustment is authorised.
- 5.18 A creditor's reconciliation should be prepared for each active supplier account on a monthly basis. (Refer 5.6 above).
- 5.19 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 provided to a senior official to take up with the creditor.
 - b) The senior official is required to immediately contact by telephone, or other means, the creditor (or other service provider or contractor) to verbally explain the cause for the query or concern, and follow-up that query in writing. If necessary, the parties may consider a meeting to discuss the matter.
 - c) If only part of the invoice is queried, arrangements should be made to pay that portion of the amount payable which is not subject to dispute, and then separately take action to remedy the disputed amount.
 - d) Where all reasonable avenues to resolve the dispute have failed, the College may seek remedies through the legal system.

6. Reporting

- 6.1 The Deputy Principal Finance must provide the Accounting Officer each month with exception reports on the number of invoices and the value thereof that have not been paid within thirty (30) days from receipt, together with reasons for not making the payments on a timely basis.
- 6.2 This information must include payments that were made late (i.e. after 30 days from date of receipt) as well as those invoices that have not been paid and where the time period has exceeded thirty (30) days.
- 6.3 The information required in paragraph 6.2 must be submitted to the Accounting Officer within five (5) days after the end of the preceding month.
- 6.4 The accuracy of information in paragraph 6.3 must be confirmed by signature of the Deputy Principal: Finance prior to its submission to the Accounting Officer.

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7. Adoption of policy

This Policy is effective from the date on which it is adopted by the Council.

8. Availability of Creditors Management policy

A copy of this Policy and other relevant documentation should be made available on the College website and it should be communicated to all incumbent staff. Arrangements should be made for communicating this policy to all new recruits.

9. Annual review of policy

This Policy will be subject to an annual review by College management to ensure its relevance. Colleges should forward any inputs and recommendations to the CET Branch of the DHET for possible consideration during the annual review process.

Any recommended changes agreed to by the CET Branch of the DHET to the Creditors Management Policy should be presented to the College Council for adoption.