

# SOL PLAATJE LOCAL MUNICIPALITY

## EFT POLICY



APPROVED ON THE  
RESOLUTION NUMBER

C74/06/22



## Table of Contents

1. Policy Purpose.....	3
2. Definitions.....	3
3. General Requirements.....	3
4. Roles and Responsibilities.....	4
5. Procedures.....	4



## 1. Policy Purpose

The primary goal of this policy is to ensure Electronic Funds Transfers (EFTs) are initiated, executed, and approved in a secure manner. This policy establishes requirements with respect to domestic payments via EFT for payments of municipal suppliers, monthly wage bill and adhoc payments as they fall due.

This policy applies to refunds made to municipal debtors arising from overpayments or credits passed in line with Customer Care, Credit Control and debt Collection Policy of the municipality.

## 2. Definitions

**Automated Clearing House (ACH):** Generally, refers to payments made via direct deposit and should be set up in the vendor master that denotes this payment method.

**Bank codes:**

STANDARD BANK- 051001

ABSA- 632005

CAPITEC BANK- 470010

NEDBANK- 198765

FIRST NATIONAL BANK- 250655

SWIFT - Society of Worldwide Interbank Financial Telecommunications

**Banking information:** Information from the payee or their bank regarding their account; including bank name, account name, account number, routing number, bank contact information and any other information necessary to transmit funds.

**Electronic Funds Transfer (EFT):** The electronic exchange (transfer of money from one bank account to another), either within a single financial institution or across multiple institutions, through computer-based systems. Wire transfers and ACH payments are examples of EFTs.

## 3. General Requirements

All EFT payments will be coordinated and submitted through Supply Chain Management, Payroll or Creditors Controller's Office. The Controller or his/her designee will approve all new and changes to electronic funds transfer requests, ensuring that the payment via wire is necessary, all required documentation is provided and appropriately approved, and that the request and banking account information is accurate and valid.

Change in banking details by a supplier must be done through the Central Supplier Database and Supply Chain must be provided with the stamped bank account confirmation letter, for record keeping. No official of the municipality is expected nor



approved to update any supplier bank account records, on either the financial management system of the municipality or supplier database approved.

In a case where the banking details on the invoice differs with those on CSD, the invoice must be returned back to the supplier for update of the banking details on CSD and on the invoice.

For staff related banking details, changes can only be effected upon presentation of the stamped bank account confirmation to the payroll officials. No changes will be effected unless the employee presents himself/herself with proper identification. Telephonic, faxed or e-mail letters shall not be accepted.

#### 4. Roles and Responsibilities

**Accounts Payable** in the Controller's office is responsible for ensuring that proper documentation, authorization and accounting information are provided and accompany any EFT payment instructions.

**Supply Chain Management Acquisitioning** is responsible for administrative process for the purchase of goods and/or services and negotiating payment terms in relation to those purchases. If payment via EFT is requested, the Acquisitioner must liaise with SCM Supplier Database Administration Section to ensure that the payment can be made in accordance with this policy.

**The Controller's Office (Payroll or Creditors)** is responsible for initiating and releasing EFTs on behalf of the municipality. Two separate individuals are required to initiate and release EFT payments through the municipality's banking partner's computer-based system. The Controller's Office also has the responsibility to confirm EFT instructions with specific departments and individuals if there is any question as to the validity of the EFT request.

**Departments** are responsible for obtaining and submitting proper support and approvals, including the completed and approved vouchers or payment documents at least thirty (30) business days prior to payment being needed.

#### 5. Procedures

To promote the safety of the municipality's funds in the EFT environment, the following procedures will be adhered to all:

- The procedure to initiate an EFT is subject to the same financial policies, procedures and controls that govern disbursement by any other payment mechanism.
- EFT transactions will not be made without proper authorization of affected parties in accordance with the municipality's procurement or recruitment business practices.



- Authentication of new EFT requests and changes to existing EFTs required prior to the transaction being input into the computer-based banking system and includes the following steps:
  - **Validate** all new electronic payment instruction requests received even if the request is internal.
  - **Contact** the supplier or requester directly by phone to confirm any requests for payment method or payment instruction changes. Do not use the contact information provided on the request to change payment method or payment instructions; do use contact information known to be genuine such as the contact information in your master supplier file or information collected from the original contract.
  - Have the contact confirm existing payment instructions on file prior to making changes to those instructions (i.e. current bank account and routing number provided in original instructions).
  - **Verify** the new information provided on the payment instructions provided with the known contact (i.e. contact bank to confirm correct account name, number and routing information) and through CSD for all suppliers
  - **Document** the verification process that was followed to validate payment instructions. A record of the verification must be maintained in accordance with record retention policies.
- When payments are approved, they will be set up as a template in the computer-based banking system and cannot be altered by those assigned to use it. The set-up and modifications to these templates will require two authorized municipal signatories.
- When EFT payments are approved, they will be set-up in the vendor master database in the financial accounting system by individuals authorized to perform vendor maintenance.
- Bank balances will be monitored daily for unusual or unexpected transactions.
- Reconciliation of banking activity to the general ledger will be accomplished in a timely manner with investigation and resolution of reconciling items.

### **Staff Rotation**

All municipal officials assigned with the powers and functions to release payments shall rotate on a weekly basis to ensure that there is relief and independence in decision making regarding authorisation of each payment.



Staff are fully aware of the extent of this responsibility and must exercise caution at all times to avoid financial losses by the municipality as well as litigation that may arise as a result of failure to pay all dues within the agreed upon timeframes.

In a case of uncertainty with any payment, all enquiries must be referred to the Chief Financial Officer, who may in turn liaise with the department that was financially enriched by the services of the service provider.

Staff involved with the payments/withdrawals from the bank account of the municipality, shall receive induction and accept the delegation in writing immediately after approval of this policy.