



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

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Reference: 3/3/3/P

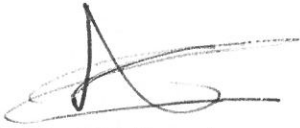
HEADS OF FINANCE IN PROVINCIAL OFFICES PROJECT MANAGERS: INFRASTRUCTURE PROJECTS SCM HEAD OFFICE AND REGIONS PROVINCIAL HEADS

FINANCE CIRCULAR NO 8 OF 2016

RECONCILIATION OF PAYMENT TO SERVICE PROVIDERS WHO HAVE CONTRACT VALUES PRIOR TO PAYMENT BEING MADE TO AVOID EXCEEDING THE DEPARTMENTS OBLIGATION.(SCHEDULE 6B PAYMENTS)

1. In terms of Section **8.1.1 of Treasury Regulations, read with Section 76(4)(b) of the PFMA**“the accounting officer of an institution must ensure that internal procedures and internal control measures are in place for payment approval and processing. These internal control measures should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported.”
2. In the previous years to date, the department has not been reconciling all payments made to contractors by way of reconciling all payments made against contract values to ensure that the department does not exceed its obligation.
3. With the implementation of this circular it is now a requirement that all invoices attached to the I/A's invoice, where such invoice are for services providers who have contract values, prior to payment being made, a reconciliation of such invoices must be prepared and be attached to the request for payment. The reconciliation should show the value of the contract less all the invoices that have been paid in the past including the invoice that is currently being claimed and the remaining balance still to be claimed. This will assist the person authorizing payment not to exceed the department's obligation and where such payment exceeds the department's obligation not to authorize the payment.
4. Where management fee is charged to a service provider whose contract has a value, calculate the total percentage of management fee for that service provider and the total that you get should be used as a reconciling balance against each payment claimed, in that way the department will ensure that it does not overpay management fee.
5. Attached is a template that should be used to perform your reconciliation. This template caters for both I/A's (Municipalities and Water Boards).
6. The implementation of this circular is effective immediately.

7. Enquiries related to this circular should be directed to Mr Phillip Gumede on 012-336-6546.



Ms MS Manukuza
CHIEF FINANCIAL OFFICER (Acting)

DATE: 21/8/2016