Electronic Funds Transfer (EFT) Policy

HARRY GWALA DISTRICT MUNICIPALITY

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DOCUMENT CONTROL

Title:	Electronic Funds Transfer (EFT) Policy
Issue:	Issue 1
Date:	6 January 2016
Author:	(Sigma IT)
Distribution:	Financial Department
Filename:	EFT Policy.doc
Control:	Reissue as complete document only

DOCUMENT SIGNOFF

NATURE OF SIGNOFF	PERSON	SIGNATURE	DATE	ROLE
Author	Sigma IT			Project Executor
Reviewer	CFO (Harry Gwala)			Chief Financial Officer
Acceptance				

DOCUMENT CHANGE RECORD

Date	Version	Author	Change Details
06/01/2016	01	Sigma IT	First draft

1. INTRODUCTION

In an effort to reduce cost and improve security and efficiency, the Harry Gwala District municipality opted pay its suppliers directly to their bank accounts. This process is known as Electronic Funds Transfer (EFT).

2. PURPOSE

This policy provides guidance on the use of EFT, and on to accurate, compliance and timely payments of properly authorized and documented EFT. This policy covers all types of payments including vendor payments, payments for services, tax payments, awards salaries and any other payments that the municipality can make like sponsorships.

3. AUDIENCE

The policy is applicable to the Expenditure unit and the Records management unit.

4. Terms and Definitions

EFT (Electronic Fund Transfer)

An automatic method of transferring funds electronically from one bank account to another without producing a check. Book, Transfer, Wire Transfer is considered EFT transaction.

Harry Gwala District Municipality

 Local Government institution known as the District Office.

Wire Transfer

A bank transfer or credit transfer is a method of an eft from one person to another. Wire transfers can be made from one bank account to another.

Creditor

 A company or person of legal nature that has provided goods or services who you owe money to.

Debtor

 A company or person of legal nature that has provided you have provided goods or services to who you owe you money.

5. POLICY STATEMENT

This the primary objective of this policy is to ensure that the use of electronic funds transfers and receipts are initiated, executed and approved in a secure manner. The factors include security, efficiency and cost

effectiveness. Payments issued by Accounts payable are made by Automated Clearing House by means of an Electronic Funds Transfers (EFT).

6.   PREREQUISITES

a)   All users that will be using the EFT system need to be trained on the systems.

b)   Their computers need to be updated with the latest Java updates.

c)   A security certificate which is unique to that particular user must be installed on that particular computer.

d)   Users must have secure password and should not sure it with anyone and the password must be changed according to the change management procedure.

7.   BACKGROUND

a)   Invoices received at Registry. Invoices are recorded in Evolution and hard copies sent to Expenditure Officer (1). She signs for receipt of the invoices.

b)   Expenditure Officer (1) prepares a payment authorization certificate and submits the invoice and certificate to the user department. The user and HOD signs the certificate and sends it back to Expenditure Officer (1). These processes are recorded on Evolution.

c)   Once returned to Expenditure Officer (1), she sends the invoice and payment certificate to Expenditure Officer (2).

d)   Expenditure Officer (2) attaches the order (if applicable), and checks that it does not exceed the order value.

e)   Expenditure Officer (2) checks the invoice to ensure that it is a valid tax invoice.

f)   Expenditure Officer (2) captures the invoice into Evolution and produces a "Supplier Invoice".

g)   The whole pack (order (if applicable), invoice, payment authorization certificate and supplier invoice are then submitted to Expenditure Accountant for payment purposes. Expenditure Officer (2) forwards the incident to me on Evolution.

h)   A check of the documentation is done.

i)   In Evolution, The Expenditure accountants selects "automatic payment batches" and tick the invoices that need to be paid per supplier. Once complete a "payment voucher" is produced per supplier which is signed by me as the preparer.

j)   The complete pack is forwarded to the Manager Expenditure. The incident is also escalated to her on Evolution.

k)   Manager Expenditure checks all documentation and signs the payment voucher as the reviewer. She escalates the incident to CFO on Evolution.

l)   Manager Expenditure hands documentation to CFO.

m)   CFO checks documentation and signs as the authorizer.

n) The documents are then forwarded to MM who countersigns as the authorizer.

8. PROCEDURE

a) Once all the above mentioned signatures have been obtained, the pack is returned to Expenditure Accountant.

b) Expenditure Accountant allocate the supplier a reference number (eg ET20001) which is sequential. This is entered on the payment voucher.

c) Expenditure Accountant accesses the on-line banking system and create a payment batch.

d) Once a batch is created, a search is done for the supplier by name or account number.

e) Once the supplier has been located, the Expenditure Accountant checks that the banking details on the invoice (if provided) correspond to the online banking details.

f) If these agree, the Expenditure Accountant then enters the payment reference number, the supplier invoice details and the amount to be paid.

g) Once complete a payment schedule is produced and this is checked for accuracy.

h) The payment schedule together with the payment pack is forwarded to Manager Expenditure for her to check and sign.

i) The payment schedule together with the payment pack is forwarded to the CFO who will check again and sign the schedule.

j) CFO will then authorize the online release of the payments.

k) MM will then authorize the online release of the payments.

l) Once paid, a check will be done for any rejected transactions and all documents will be stamped as "Paid".

m) The payment details are then captured into Evolution.

n) The documents are then filed.

9. SALARIES

a) Payroll is captured and updated by the Payroll Officer accordingly.

b) The payroll is then sent to the Manager expenditure to verify and check all is in order.

c) The payroll is then uploaded and sent to the CFO and MM for approvals.

d) Once the approvals are done salaries are wire to the staff's bank accounts on the salary date.

10.   POLICY REVIEW

This policy shall be reviewed annually.

11.   IMPLEMENTATION

This policy comes into effect from the date of approval.