

KOUGA MUNICIPALITY



Unallocated Revenue & Building Deposit Policy

UNALLOCATED REVENUE AND BUILDING DEPOSIT POLICY

PURPOSE

To ensure that every receipt or deposit into the municipality's bank account is recognised or identified in order to reflect the substance of each transaction and to ensure the municipality maintains a sound accounting system.

REVENUE MANAGEMENT

Revenue management involves all the procedures necessary to ensure that the income of the municipality is properly planned and fully accounted for, and that cash, once received, is safeguarded and banked promptly.

In terms of Section 64 (2) (e) (Revenue Management) of the Municipal Finance Management Act, Act 56 of 2003; "the municipality has and maintains a management, accounting and information system which:

- (i) recognises revenue when it is earned;
- (ii) accounts for debtors; and
- (iii) accounts for receipts of revenue;"

Municipal Bank Account Deposits, Direct Transfers (Direct Payments) and Electronic Banking

Problem statement

Direct payments such as direct deposits / bank transfers to the municipality's bank account are received without proper reference and the origin of the payment cannot always be allocated.

Process to counter the problem statement

- Identify all the direct credits on the bank statement, such as direct deposits by ratepayers, consumers and levy payers, subsidies and grants paid by National and Provincial Governments, interest on investments and miscellaneous credits.
- Process these credits by capturing to the respective votes on the system.
- Identify full details of these credits timely to avoid having to account for these credits in the Unallocated Revenue Account;

- Record all unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up; and
- Balance the unidentified receipts register to the Unallocated Revenue Account in the general ledger on a monthly basis.

Receipts and Clearing of Accounts

Problem statement

The payee cannot be identified when there is no reference against the receipt when it appears on the bank statement.

Process to counter the problem statement

All receipts must be correctly allocated to the relevant debtors account and furthermore the amount must be correctly allocated to the correct services paid for.

These receipts have to be identified and captured into the receipting system to ensure that debtors' accounts are credited.

Direct deposits/bank transfers to the municipality's bank account have to be accompanied by identification (reference) of the party making the deposit/ transfer.

PROCEDURES REGARDING UNIDENTIFIED RECEIPTS

- Any unknown receipts will be temporarily posted to the Creditors Account -Unallocated Revenue.
- These amounts must be traced to deposits or remittances and must be followed up by contacting the payee or bank where applicable, to verify for what or whom the payment was received.
- Unallocated deposits in the Unallocated Revenue Account should be traced as to its origin, the details of the depositor, and journalised to the correct accounts.
- Debtors / ratepayers are notified and requested to include account numbers on deposit slips when paying by internet banking and specific reference when payment is made to ensure that the unidentified deposits reduces.
- When deposits are received without adequate supporting documentation or explanation, the amounts are posted to the Unallocated Revenue Account, and it is then the responsibility of employees to investigate and clear each item and the following procedures are followed:
 - All unidentified credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount and followed up;
 - Balance the unidentified receipts register to the Unallocated Revenue Account in the General ledger on a monthly basis.
 - These accounts should be monitored and reconciled on a monthly basis.

- It should be manageable to reconcile and keep these accounts up to date each month, especially after all long outstanding items have been cleared and correctly allocated.
- After a period of 3 (three years) when no claims are made or the origin of the payment is still unknown / unidentified, the unknown receipt as posted in the Unallocated Revenue Account will be journalised to the Sundries Revenue Account in the current period.

REFUND OR FORFEITURE OF BUILDING DEPOSIT

- Building Deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of council's property or infrastructure.
- Deposits shall be forfeited to the council if not claimed by the customer within 3 years of the occupation certificate.
- The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.
- All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided.

EFFECTIVE DATE

This policy shall be applicable for financial statement periods commencing 1 July 2012 onwards