



## DRAFT UNALLOCATED DEPOSITS POLICY

UMDONI MUNICIPALITY

2024/2025

# UMDONI LOCAL MUNICIPALITY

## i. **VISION**

A leading Local Municipality that empowers its communities through excellent service delivery

## ii. **MISSION**

To enhance the quality of life of all people in the Umdoni Local Municipality through a sustainable developmental system of Local Government and rendering of efficient, effective and affordable services.

## iii. **MUNICIPALITY'S CORE VALUES**

Umdoni Local Municipality subscribes to the following core values:

- Accountability;
- Good Governance;
- Transparency;
- Integrity; and
- Responsiveness

## Contents

1. Background	3
2. Revenue Management	3
3. Municipal Bank Account Deposits, Direct Transfers and Electronic Banking	4
4. Direct Bank Payments	4
5. Deposits and Clearing of Accounts	5
6. Procedure Regarding Unidentified Deposits	5
7. Operative Date	6

## Unallocated Deposits Policy

### 1. Background

The importance of the recognition or identification of each transaction in order to reflect the substance of each transaction and to ensure the municipality maintains a sound accounting System. The purpose is to ensure all unallocated deposits are timely identified and allocated to the relevant debtors' account, to ensure correctness of account balances and a true reflection of the debtors book

### 2. Revenue Management

2.1 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.

2.2 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;”

### **3 Municipal Bank Account Deposits, Direct Transfers and Electronic Banking**

- 3.1 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.
- 3.2 Identify full details of these credits timely to avoid having to account for these credits in the Unallocated Deposits Account;
- 3.3 Record all unidentified credits (receipts) to facilitate future claims against the amount and follow up.

### **4. Direct Bank Payments**

- 4.1 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.
- 4.2 Therefore, debtors must use their account numbers as reference when making transfers to the municipality bank account for correct allocation.
- 4.3 Where a direct payment is made for various debtors accounts, a remittance must be forwarded/ faxed or emailed to the revenue department so that immediate split can be done to the various debtors accounts.

## **5. Deposits and Clearing of Accounts**

- 5.1 All deposits must be correctly allocated to the relevant debtors account and furthermore the amount must be correctly allocated to the correct services paid for.
- 5.2 The payee cannot be identified when there is no reference against the deposit when it appears on the bank statement. These deposits have to be identified and captured into the receipting system to ensure that debtors' accounts are credited.
- 5.3 Direct deposits/bank transfers to the municipality's bank account have to be accompanied by identification (reference) of the party making the deposit/transfer.

## **6. Procedure regarding Unidentified Deposits**

- 6.1 Any unknown Deposits will be temporarily posted to the Trade Payables – Unallocated Deposits. 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.
- 6.2 Unallocated deposits in the Unallocated Deposits 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 is reduced.
- 6.3 When deposits are received without adequate supporting documentation (remittance) or explanation, the amounts are posted to the Unallocated

Deposits Account it is the responsibility of employees to investigate and clear each item and the following procedures are followed:

6.3.1 All unidentified credits (receipts) should be recorded to facilitate future claims against the amount and followed up; and

6.3.2 Identify full details of these credits timely to avoid having to account for these credits in the unallocated deposits.

6.4 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. Once long-outstanding items have been cleared and correctly allocated; those amounts that are still outstanding should be treated as follows:

After a period of 5 (five) years (Prescription Period) 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 journalized to the Revenue Surplus Account and be treated as income in the year the transfer is processed. The VAT applicable should be taken into account.

### **Date of Adoption**

The Council of the Umdoni Local Municipality resolves to adopt the following as the official Unallocated Deposits Policy of the Umdoni Local Municipality.

This Policy has been considered and approved by the Council of the Umdoni Local Municipality as follows:

- Resolution No:
- Approval Date: