

DIHLABENG LOCAL MUNICIPALITY



UNALLOCATED DEPOSIT POLICY

Dihlabeng Local Municipality

Unallocated receipts

Unallocated Deposit Policy

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.

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 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 and Electric Banking

- Identify all the direct credits on the bank statement, such as direct deposits by ratepayers, consumers and levy payers, subsidies and grant 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 Deposit 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 Deposit Account in the general ledger on a monthly basis.

Direct Bank Payments

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.

Therefore, debtors must use their account numbers as reference when making transfers for auto allocation.

Where a direct payment is made for various debtors accounts, a remittance must be forwarded / faxed/emailed to the revenue section so that immediate split can be done to the various debtors accounts.

Deposits and Clearing of Accounts

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

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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. 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 deposits will be temporarily posted to the trade payable – 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 for what or whom the payment was received.
- Unallocated deposit 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 unidentified deposits reduces.
- When deposits received without adequate supporting documentation or explanation, the amounts are posted to the Unallocated Deposit 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;
 - Identify full details of these credits timely to avoid having to account for these credit in the unallocated deposits
 - Balance identified deposit register to the Unallocated Deposit Account in the General Ledger on a monthly basis.
 - These account should be monitored and reconciled on 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 Receipt Account will be journalised to the Sundries Revenue Account in the current period.