



# UNALLOCATED REVENUE POLICY

## Background

*The importance of the recognition and or identification of each transaction in the bank statement especially cash inflows, in order to account for them in the appropriate manner and update the financial records of the Municipality in a timely manner and ensuring that a sound accounting System is maintained.*

## 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) recognize revenue when it is earned;
- (ii) accounts for debtors; and
- (iii) accounts for receipts of revenue;”

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

- Identify all the direct credits on the bank statement, such as direct deposits by Rate payers, 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 Receipts 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 Receipts Account** in the general ledger on a monthly basis.

## Direct Bank Payments

In some instances, 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. Every effort needs to be made to identify the depositor.

## Receipts and Clearing of Accounts

All receipts that can be identified must be correctly allocated to the relevant debtors account and in addition the amount must be correctly allocated to the correct services being paid for.

### **PROCEDURES REGARDING UNIDENTIFIED RECEIPTS**

Any unknown receipts will be temporarily posted to the **Unallocated Receipts account**. 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 Receipts Account** should be traced as to its origin, the details of the depositor and journalized 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 Receipts Account** it is 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; and
- Balance the unidentified receipts register to the **Unallocated Receipts 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, 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 3 (three) 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 Sundries Revenue Account and be treated as income.

PRESCRIPTION ACT 68 OF 1969 section 10 states:

- (1) Subject to the provisions of this Chapter and of Chapter IV, a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt.
- (2) By the prescription of a principal debt a subsidiary debt which arose from such principal debt shall also be extinguished by prescription

(3) Notwithstanding the provisions of subsections (1) and (2), payment by the debtor of a debt after it has been extinguished by prescription in terms of either of the said subsections, shall be regarded as payment of debt.

Section 11 states that the periods of prescription of debts shall be the following:  
(d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.

Authorization

This policy need approval and takes effect 1 July 2021

Council Resolution: