

# **MAKHADO LOCAL MUNICIPALITY**

## **DRAFT REVENUE MANAGEMENT POLICY AND PROCEDURE MANUAL**

**Council Resolution A.30.30.03.15**

## **REVENUE MANAGEMENT POLICY**

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## 1. AIM AND INTENT OF REVENUE MANAGEMENT POLICY

It is the intent of this policy to practice revenue management at the Makhado Local Municipality according to the requirements of the Local Government: Municipal Finance Management Act, No. 56 of 2003 and as well as the Local Government: Municipal Systems Act, No. 32 of 2000. This policy and procedure manual will be used in conjunction with the following policies already developed by Makhado Local Municipality:

- 1.1 Policy on Subsidy Scheme;
- 1.2 Policy on Credit Control and Debt Collection;
- 1.3 Policy on Write-off;
- 1.4 Policy on Tariffs, and
- 1.5 Policy on Property Rates;

## 2. HIGH LEVEL ROLES AND RESPONSIBILITIES FOR REVENUE MANAGEMENT

The function of revenue management is, according to the Local Government: Municipal Finance Management Act, No. 56 of 2003 a mutual responsibility, created through appropriate delegations to the following role-players.

- The Accounting Officer
- The Top Management and,
- The Chief Financial Officer
- Any Official & External Consultant duly appointed

### 2.1. ROLES AND RESPONSIBILITIES OF THE ACCOUNTING OFFICER

The municipal manager of Makhado Local Municipality is the accounting officer of this municipality for the purposes of MFMA, and, must -

- (a) exercise the functions and powers assigned to an accounting officer in terms of MFMA; and
- (b) provide guidance and advice on compliance with MFMA to-
  - (i) the political structures, political office-bearers and officials of the municipality; and
  - (ii) any municipal entity under the sole or shared control of the municipality.

### 2.2. ROLES AND RESPONSIBILITIES OF TOP MANAGEMENT

The top management of Makhado Local Municipality in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003 refers to the section 57 managers, and they are :

- 2.2.1 The Director - Finance (The Chief Financial Officer);
- 2.2.2 The Director – Corporate Support and Shared Services;
- 2.2.3 The Director – Community Services;
- 2.2.4 The Director – Technical Services;
- 2.2.5 The Director – Development and Planning;

The section 57 managers assist the accounting officer with the management and administration of Makhado Local Municipality in terms of the Local Government: Municipal Finance Management Act, No. 56 03 2003.

### 2.3. ROLES AND RESPONSIBILITIES OF CHIEF FINANCIAL OFFICER

- (1) The Chief Financial Officer (CFO) of the Makhado Local Municipality -
  - (a) is administratively in charge of the budget and treasury office;
  - (b) must advise the accounting officer on the exercise of powers and duties assigned to the accounting officer in terms of the MFMA;
  - (c) must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget;
  - (d) must advise senior managers and other senior officials in the exercise of powers and duties assigned to them; and
  - (e) must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management, review and other duties as delegated by the accounting officer to the chief financial officer.
  - (f) must collect and manage the municipality's revenue
- (2) The chief financial officer of a municipality is accountable to the accounting officer (municipal manager) for the performance of the duties referred to above.

### 3. DETAILED ROLE OF ACCOUNTING OFFICER PERTAINING TO REVENUE MANAGEMENT

- 1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality.
- 2) The accounting officer must take all reasonable steps to ensure-
  - (a) that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;
  - (b) that revenue due to the municipality is calculated and collected on a monthly basis;
  - (c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
  - (d) that all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;
  - (e) that the municipality has and maintains a management, accounting and information system which-
    - (i) recognizes revenue when it is earned;
    - (ii) accounts for debtors; and
    - (iii) accounts for receipts of revenue;
  - (f) that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
  - (g) that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework; and
  - (h) that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least once a weekly basis.
- 3) The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

- 4) The accounting officer must take all reasonable steps to ensure -
  - (a) that any funds (i.e. traffic fines) collected by the municipality on behalf of another organ of state is transferred to that organ of state at least on a weekly basis; and
  - (b) that such funds are not used for the purposes of the municipality

#### **4. POLICY AND PROCEDURE MANUAL ON COLLECTION AND BANKING OF REVENUE**

- (1) The municipal manager must-
  - (a) implement and enforce the municipality's credit control and debt collection policy and bylaws;
  - (b) establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality; and
  - (c) report thereon to the council.
- 2) All amounts owing to the municipality must be levied/raised by way of a debit in the applicable debtors system.
- 3) Except when the chief financial officer has authorized a department to receive monies paid to the municipality, the chief financial officer must receive all payments.
- 4) No money may be accepted unless an official receipt can be issued immediately.
- 5) All monies received must be deposited daily in the municipality's bank account.
- 6) The chief financial officer must ensure that all monies received by any other department are regularly paid to her/his department or alternatively deposited into the municipality's bank account.
- 7) Every departmental head must without delay in writing notify the chief financial officer of any monies due to the municipality and the reasons why such monies are owed must be expounded in such notification.

#### **5. POLICY GUIDELINES ON REVENUE OWED TO THE MUNICIPALITY**

- (1) No amount owing to the municipality may be written off as irrecoverable without the approval by the council.
- (2) If a person who is or was in the employ of the municipality causes or caused the municipality loss or damage because he or she-
  - (a) failed to collect money owing to the municipality for the collection of which she/he is or was responsible;
  - (b) is or was responsible for an irregular payment of money of the municipality;
  - (c) is or was responsible for a payment of money not supported by a proper voucher;
  - (d) due to an omission to carry out her/his duties, is or was responsible for fruitless expenditure of money of the municipality
  - (e) is or was responsible for a deficiency in, or for the destruction of or damage to money of the municipality, stamps, face value documents and forms having a potential value, securities, equipment, stores or any other property of the municipality; or
  - (f) due to an omission to carry out her/his duties, is or was responsible for a claim against the municipality,

In cases where the municipal manager was responsible for such loss or damage, the council, must-

- (a) determine the amount of such loss or damage;
  - (b) take disciplinary action where possible; and
  - (c) in appropriate cases recover the loss or damage.
- (3) Any loss suffered by the municipality and which the municipal manager, or if the municipal manager is responsible, the council, suspects to be due to any fraudulent or corrupt act or an act of bribery committed by any person, must forthwith be reported to the South African Police Service.

- (4) If the council is of the opinion that the municipality is unable to determine the amount or circumstances of any loss, it may at its expense appoint a person registered under the Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991), to assist the municipality to determine the amount of the loss or the circumstances in which it occurred.

## **6. POLICY AND PROCEDURE MANUAL ON RECEIPTS**

- (1) In accordance with the audit regulations, the receipt of all monies must immediately be recorded by means of a numbered official receipt or ticket or in any other way approved by the chief financial officer.
- (2) No alteration must be made to a receipt, ticket or other form of acknowledgement of payment.
- 3) Any error that appears on a receipt, ticket or other form of acknowledgement of payment must be corrected by issuing a new receipt and the cancellation of the erroneous one.
- 4) Every cancelled receipt form must be returned to its proper place in the receipt book or, in the absence of a receipt book, filed according to the instructions of the chief financial officer.
- 5) Any cash surplus found at any time must immediately be declared, a receipt issued in terms of the audit regulations and deposited without delay to the credit of the appropriate account.
- 6) Any cash deficits must immediately be reported to the departmental head concerned and replaced in accordance with the instructions of the chief financial officer.

## **7. REVIEW OF SERVICE CHARGES AND RENT FOR MUNICIPAL PROPERTY**

- 1) Revision of rent, service charges, property rates tariffs and other levies is done in consistent with the municipality's tariff policy and bylaws.
- 2) The chief financial officer must make appropriate recommendations regarding the revision of rent, service charges, property rate tariffs and other levies together with -
  - (a) the departmental head responsible for managing the property of the municipality in respect of rent payable by occupants of any property leased from the municipality;
  - (b) the departmental head concerned, in respect of service charges and other levies in respect of services rendered by or on behalf of the municipality; and
  - c) the municipal manager in respect of property rates tariffs.

## **8. INCOME RECOGNITION**

### **8.1. Rates & Tariff Charges**

The income from rates and tariffs is recognized on an accrual basis. No provision is made for unpaid rates and service charges.

### **8.2. Other or Sundry Services (Direct Income)**

The income from sundry services such emergency services, rental of property or any other sundry service is recognized on the cash basis.

## **9. DEBTORS ACCOUNTS**

Accounts must be prepared according to the Council resolutions in this regard and must be posted to the consumers as soon as possible. The date for payment must appear on the account and should be a fixed day every month, such as the 20th in respect of Makhado Local Municipality.

The account must be printed on a standard form which must contain the following details:

- ❖ Consumer name;
- ❖ Consumer account No.;
- ❖ Consumer postal address;
- ❖ Vat No. of Makhado Local Municipality;

- ❖ Vat No. of the consumer, where applicable, such as business accounts;
- ❖ Residence/Erf details to where the service(s) have been supplied.
- ❖ All details of services that have been supplied i.e. electricity, water, rates, refuse removal, etc.;
- ❖ Any outstanding balance from the previous month;
- ❖ Any reconnection/disconnection charges that may have been charges; and
- ❖ Any interest or fines that may have accrued;
- ❖ The rates component should be according to Section 27 of the Property Rates Act.

#### 10. AGE ANALYSIS AND OVERDUE ACCOUNTS

- (1) Within seven days after each monthly due date the Municipal Manager must dispatch a notice to all defaulters.
- (2) The defaulter has 14 days in which to make a payment or the services will be disconnected.
- (3) The consumer will be held liable for all disconnection and reconnection charges.
- (4) A consumer's supply may not be reconnected until such time as the following have been compiled with:
  - ❖ Arrear account has been paid in full, including interest;
  - ❖ Charges have been paid in full;
- (5) Should a consumer fail to pay their account even once the service has been terminated, the Municipal Manager will make follow-up to determine the following possible occurrences with to the consumer:
  - \* the possibility of self-reconnection;
  - \* the possibility of by-passing the meters;
  - \* abandonment in case of a tenant;

#### 11. RECEIPTS AND CLEARING OF ACCOUNTS

The official responsible for receipting of monies received from debtors must not be the official responsible for debtors administration. The two positions must be kept separate and filled by different people. This is done in order to reduce the risks of fraud within the Municipality.

- (1) All receipts must be correctly allocated to the relevant debtors account and
- (2) Furthermore, the amount must be correctly allocated to the correct services paid for.
- (3) Any unknown receipts will be temporarily posted to an 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.
- (4) The unallocated receipts account must be cleared at least on a weekly basis.
- (5) Deposits received from customers with more than one account with the municipality for which no reference was given with regard to which account the payment is made, the municipal manager will use his/her discretion in allocation of the deposits to defray the accounts due by the accountholder. This will apply notwithstanding the subsequent instruction by the accountholder contrary to the allocation applied by the municipality.

##### 11.1 Procedure for writing-off of long outstanding reconciling items

- ❖ Unreconciled income related transactions such as unknown deposits and other unmatched transactions between the cashbook and the bank statements older than two (2) months must be thoroughly investigated and report of such investigation must be reviewed and signed off by the Chief Financial Officer as evidence of review. The Chief Financial Officer must recommend to the Accounting Officer for write off of the reconciling items investigated with the proposed accounting entries for such write off.



- ❖ On approval of the write off by the Accounting Officer the relevant accounting entries must be processed by the Chief Financial Officer on the General Ledger and clear the transactions from the bank reconciliation.
- ❖ The detailed supporting documentations of the write off should then be submitted to the council for noting and the detailed documents must be safeguarded for future reference.

## **12. BAD DEBTS: MUNICIPAL MANAGER/COUNCIL**

Bad Debts will be treated according to the municipality's write-off policy.

## **13. MAKHADO LOCAL MUNICIPALITY'S DETAILED PROCEDURE MANUAL ON REVENUE COLLECTION**

### **13.1 BACKGROUND**

Makhado Local Municipality's procedure manual is arranged in consideration of all the collection points existing at the moment, and they are categorized as follows:

- ❖ Regional Offices
  - Dzanani Regional Office
  - Vuwani Regional Office;
  - Waterval Regional Office; and
  - Makhado Regional Office;
  - Vuwani Traffic Office;
  - Dzanani Traffic Office;
- ❖ Electricity and Services Collection Offices:
  - Zamenkomste;
  - Madodonga;
  - Tshiozwi;
  - Mashau – Thondoni;
  - Tshiendeulu;
  - Khomele;
  - Mudimeli;
  - Musekwa;
  - Dzanani Regional Office;

### **13.2 REVENUE MANAGEMENT POLICY AND PROCEDURE MANUAL**

The Revenue Section of Makhado Local Municipality has sub-sections categorized according to their functionality as follows:

- 13.2.1 The Customer Care Section;
- 13.2.2 The Collection Section;
- 13.2.3 The Credit Control and Debt Collection Section;
- 13.2.4 The Billing (Consumers) Section;
- 13.2.5 The Clearance Section;

### **13.3 THE CUSTOMER CARE SECTION: Procedures and Processes**

The Customer Care Section is responsible for matters pertaining to:

- ❖ The opening and closing of customer accounts;
- ❖ The connection and disconnection of customer accounts;
- ❖ As well as terminations of customer accounts;

13.3.1 Customer accounts are created or opened by signing the Service Level Agreement (SLA), at the municipality's enquiry counters in respect of the supply of services, such as electricity and/ or water;

13.3.2 Customer accounts are also opened through a contract entered into between the municipality and the customer on the acquisition of a site, and in this instance a Service Level Agreement will be additional, signed by the customer as and when the supply of services is required;

13.3.3 The customer account is terminated on the disposal of the customer's property and/ or when the tenant is terminating the supply of services;

13.3.4 Terminations or closure of customers' accounts are made by filling the necessary termination forms and the termination instruction are given to the service provider (meter readers) to terminate the services on the date specified on the termination form;

13.3.5 Connections and disconnections are performed on defaulters, and the instructions are also given to the meter readers to temporarily terminate the services until such defaulting customers have paid and updated their accounts;

13.3.6 All the necessary service charges are activated when the customer accounts are opened, and this detailed as follows:

- ❖ In the case of the residential and business sites the following charges are activated:
  - For the property owner:
    - Basic Water;
    - Basic Electricity;
    - Basic Sewer;
    - Sewer;
    - Additional Sewer;
    - Rates;
    - Water;
    - Electricity;
    - Refuse;
  - For the tenant:
    - Basic Electricity;
    - Refuse;
    - Water; and
    - Electricity;

13.3.7 A relevant Consumer's Deposit is required with each opening of a consumer account, which is also refunded on the closure of the account;

13.3.8 Business Accounts for opening should reflect the name of the business as well as the name of the person charged with responsibilities of running the affairs of such business;

13.3.8 The following documents should accompany the opening forms:

13.3.8.1 In the case of Businesses:

- \* ID Copy of the responsible person;
- \* Copy of Certificate of Incorporation, if a Company or Close Corporation;
- \* Copy of Certificate of Commencement of business, if Sole Trader;
- \* The Company or Close Cooperation resolution, mandating the responsible person to run the affairs of that business.

13.3.8.2 In the case of residential property owners:

- \* Copy proof of property ownership;
- \* Copy of ID of the property owner;

13.3.8.3 In the case of tenants:

- \* Copy of ID of the tenant;
- \* Original letter from the property owner authorizing the tenant to use the property;

#### **13.4 THE COLLECTION SECTION: Procedures and Processes**

13.4.1 The collections performed by the cashiers over the counter is in the form of cash, EFTs through swiping of Credit or Debit cards and Bank Guaranteed Cheques;

13.4.2 Automated Receipts are issued by the respective cashier to the customer;

13.4.3 Manual receipts are issued only when circumstances permit so, such as in the case of the municipality's Financial System being off-line;

13.4.4 The issued manual receipt must be captured once the Financial System is up and running;

13.4.5 The total of the pre-paid system, obtained from the End-Of-Shift report, is updated by capturing it on the Municipality's Financial System, namely, Munsoft Financial System;

13.4.6 Each cashier completes a Cash-Up Sheet at the end of the day;

13.4.7 Comparison of the receipts issued for the day is made against the actual cash received and the cash deficit or cash surplus if recognized, should be declared to the immediate supervisor and accounted for in the General Ledger.

13.4.8. 1 Banking is made the following day of the cash received by each cashier separately at head office

13.4.8 .2 Banking is made the weekly on the cash received by each cashier separately at pay points either than head office.

13.4.9 The Manager-Revenue downloads a bank statement daily, hand it to the Assistant-Accountant, for allocation and hand it to cashiers for capturing;

13.4.9 All unknown deposits are captured in the unknown deposit register on allocation and follow-up consistently for subsequent allocations to the relevant account.

#### **13.5 THE CREDIT CONTROL AND DEBT COLLECTION SECTION: Procedures and Processes**

13.5.1 The Credit Control and the Debt Collection processes are performed separately;

13.5.2 All customer accounts from nil to 60 days are classified under Credit Collection and anything above 60 days is classified under Debt Collection;

13.5.3 All current accounts are expected to have been paid by the seventh of the month following the billing one;

13.5.4 All accounts above 30 to 60 days are immediately disconnected or temporarily terminated until payments or arrangements are made;

13.5.5 Any account above 60 days is handed over to attorneys for collection, only if there are no services to disconnect/ or the disconnections have been made and there is no response from the customer;

13.5.6 A preliminary cut-off list is produced by the systems administrator and handed to the Senior Clerks, Credit Control and Debt Collection respectively;

13.5.7 The preliminary cut-off list is up-dated by deleting accounts that have been updated in the interim, before the final cut-off list is produced;

13.5.8 The Systems Administrator then captures the inputs made by the collections section and produces the final cut-off list for implementation;

13.5.9 The meter readers are provided with the soft copy of the final cut-off list upon which notices are printed and delivered to the defaulting customers;

#### **13.6 THE BILLING SECTION: Procedures and Processes**

13.6.1 Readings of both water and electricity are taken from different properties by the meter readers, outsourced at the moment;

13.6.2 These readings are provided to the municipality in electronic form;

13.6.3 The Systems Administrator then produces a deviation list and hands it over to the Senior Clerk – Consumers for corrections;

13.6.4 After corrections, the deviation list is taken back to the Systems administrator for the purpose of capturing the inputs made by the Senior Clerks, Credit Control and Debt Collection, thereafter, billing is made.

13.6.5 The Systems Administrator produce statements on the system, without printing them, email them to the printers (service providers);

13.6.6 The Printers print the statements and then post them to the customers;

### **13.7 THE CLEARANCE SECTION: Procedures and Processes**

The Clearance Section deals with the following issues:

13.7.1 Quoting clearance figures to the attorneys or regional offices with regard to properties for Registration or Transfer purposes;

13.7.2 Issue Clearance Certificates with regard to cleared properties;

13.7.3 The clearance section does amendments to customers' properties regarding to changes as a result of property transfers or registrations;

13.7.4 Effecting of input to the financial system regarding the Valuation Roll;

13.7.5 Effecting changes to properties with regard to the Supplementary Valuation Roll;

### **13.8 ELECTRICITY AND BASIC SERVICES OFFICES PROCEDURES AND PROCESSES**

13.8.1 All the prepaid electricity sales and the collection of basic services at these offices are forwarded to Makhado Local Municipality for further processing on the municipal Financial System;

13.8.2 The balance of these transactions is similar to those of Makhado Local Municipality, Makhado office, as well as the regional office.

**EFFECTIVE DATE : 1 April 2015**