



## **BUFFALO CITY METROPOLITAN MUNICIPALITY**

# Receipting Policy

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## BUFFALO CITY METROPOLITAN RECEIPTING POLICY

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## BUFFALO CITY METROPOLITAN RECEIPTING POLICY

### 1. POLICY TITLE

#### RECEIPTING POLICY

### 2. PREAMBLE

***And whereas*** Section 64 of the Municipal Finance Management Act, No. 56 of 2003 (hereinafter referred to as the “MFMA”), states that:

- (1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality.
- (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that: -
  - (a) The municipality has effective revenue collection system consistent with section 95 of the Municipal Systems Act, No. 32 of 2000 and the municipality’s Credit control and Debt collection policy;
  - (b) Revenue due to the municipality is calculated on a monthly basis;
  - (d) All money received is promptly deposited in accordance with this Act into the municipality’s primary and other bank accounts;
  - (e) 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
  - (h) All revenue received by the municipality, including revenue received by any collecting agent on its behalf is reconciled at least on a weekly basis.

***And whereas*** Section 85 of MFMA, states that:

- (1) A municipal entity must open and maintain at least one bank account in the name of the entity;
- (2) All money received by a municipality must be paid into its bank account or accounts and this must be done promptly and in accordance with any requirements that may be prescribed.

***Whereas*** Section 96(a) of the Local Government: Municipal Systems Act, No. 32 of 2000 (hereinafter referred to as the “Systems Act”), obliges the Buffalo City Metropolitan



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Municipality (hereinafter referred to as “BCMM”) to collect all money that is due and payable to it, subject to the provisions of that Act and any other applicable legislation.

***And Whereas*** Section 13(2) of the MFMA states that a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed.

***Now therefore*** the following is adopted as the Receipting Policy for the Buffalo City Metropolitan Municipality (hereinafter referred to as “this “Policy) as set out hereunder



### 3. DEFINITIONS

- a) **Accounting Officer:** means the municipal manager appointed in terms of Section 60 of Municipal Finance Management Act, No. 56 of 2003 (MFMA)
- b) **Chief Financial Officer:** means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act
- c) **The Municipality:** means Buffalo City Metropolitan Local Municipality
- d) **MFMA:** Municipal Finance Management Act, No. 56 of 2003.
- e) **Method of Payment:** means of payment employed by a customer, such as cash, money order, or credit card with order or upon invoicing, also called payment.
- f) **Cash surplus:** the amount of cash (resource) that exceeds the portion that is utilized.
- g) **Cash deficit:** (accounting) in any given fiscal period, the excess of cash disbursements over cash receipts.
- h) **Account:** refers a debtor account either for rates or services or sundry charge reflecting an amount payable by the debtor for specific period.
- i) **Act:** in relation to this policy, refers to the Municipal Finance Management Act, No 56 of 2003, abbreviated as MFMA.
- j) **Bank:** refers financial institutions registered in terms of the Banks Act, No. 94 of 1990.
- k) **Bank Statement:** refers to a document produced by the municipality bank reflecting cash deposits and withdrawals made by municipality.
- l) **Cash:** refers to actual cash (coins and bank notes), cheques, postal orders and direct bank deposits, credit and debit card payments, third party payments (Easy Pay) and transfers into the council's bank account.
- m) **Financial year:** means a period starting from 01 July ending the following year on 30 June.
- n) **Insurance:** means financial protection against loss or harm such as theft, fraud etc., in return for payment premium
- o) **Receipt:** in relation to this policy, refers to voucher/slip issued by the municipality to acknowledge receipt of payment.



#### **4. POLICY STATEMENT**

All receipts must be deposited into the Municipality's bank account and recorded with the appropriate general ledger account(s). All incoming funds over R5000.00 should be deposited within one day of receipt. Regardless of the amount (even less than R5000) should be deposited daily after the day of receipt. A cash transmittal must be prepared to record the income at the time of deposit. Funds awaiting deposit must be kept in a secure, locked place until deposited. The method used to secure the funds should be appropriate for the amount. For example, a locked desk drawer would be adequate for R50.00; however a safe would be required for R1, 000.00.

#### **5. MAIN PURPOSE**

The purpose of this policy is to implement best-in-class revenue processing procedures that standardize revenue processing across the Metro. This policy ensures efficient solutions characterized by strong controls to reduce the risk of fraud and/or loss while increasing the efficiency of its cash.

- a) MFMA has operational authority over the acceptance and deposit of all payments received by the Municipality including those received at the individual department or entity level.
- b) All departments will employ consistent payment types across similar revenue generating activities.
- c) Revenue processing procedures should enable operational efficiency with an optimal cost structure.
- d) All revenue processing procedures must maintain the highest level of available operational controls to reduce the possibility of fraud, loss of assets and/or loss of sensitive municipal data.
- e) The supervisor of the account receiving revenue will be responsible for implementing proper revenue processing procedures, payment methods, and assume responsibility for payment risks and compliance.



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- f) This policy possesses core competency relative to banking services, working capital management, credit card processing, electronic payment options and developing trends in payment technology.

### 6. SCOPE OF THE POLICY

This policy applies to all persons who collect, hold or receipt Monies on behalf of the Municipality, and Managers responsible for Employees who perform these tasks. It should be read in conjunction with the National Treasury Regulations.

### 7. LEGISLATIVE FRAMEWORK

The statutory framework on which the Receipting Policy is founded on is as follows:

Constitution of the Republic of South Africa Act, 108 of 1996 ('the Constitution')

Section 195 (1)

Local Government: Municipal Finance Management Act, 56 of 2003 ('the MFMA')

Section 13 (1), (2)

Chapter 8, Sections 64 (3), (4)(c), (d), (f), (g)(iv)(v)(vi)(i)

Section 85 (3), (4)

Local Government: Municipal Systems Act, 32 of 2000 ('the Systems Act')

Section 96(a)

**Now therefore** the following is adopted as the Receipting or Cash Management Policy for the Buffalo City Metropolitan Municipality (hereinafter referred to as "this "Policy) as set out hereunder



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### **8. APPLICATION**

This policy shall apply only in respect of money due and payable to the Metro for:

- a) Hire Fees
- b) Refundable deposit
- c) Municipal Fines
- d) Photocopies
- e) Daily Takings
- f) Bill payments for services rendered
- g) Tickets/Seasonal Tickets
- h) Sundries

### **9. OBJECTIVES OF THE POLICY**

The objectives of this policy are to:

- a) Provide guidance to ensure that all monies paid to the Buffalo City Metropolitan Municipality in respect of tariffs is processed efficiently, accurately, to the correct account and promptly.
- b) Ensures that receipts of revenue are adequately safeguarded and adequately accounted for.
- c) Provide information of different payment methods with regards to payment of municipal services,
- d) Clarify roles and responsibilities and direct the actions of pay point personnel.
- e) The overall control over cash due to the nature of this resource as theft and possible fraudulent transactions are always a possibility.

### **10. CODE OF CONDUCT**

All the BCMM's officials shall treat all customers with dignity and respect at all times. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Promotion of Access to Information Act No. 2 of 2000.





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### **11. INSURANCE**

The Council must be properly insured against theft, fraudulent transactions etc. regarding the cash funds kept on the premises of the Council. Fidelity guarantee insurance must also be taken out in respect of employees handling council funds.

### **12. GENERAL POLICY PRINCIPLES**

The methods of payment collection as well as the items that govern such collection are guided by the policy principles listed below, it is further noted that the policy principles identified below are only applicable to payments processed directly by the Buffalo City Metropolitan Municipality's designated pay points (i.e. Third Party payments are excluded from the guidelines provided herein).

The Municipality shall implement and enforce its Credit Control and Debt Collection Policy and bylaws and establish effective administrative mechanisms, processes and procedures to collect money that is due to the municipality. Except in instances where the Council has authorised a department in writing to receive monies paid to the municipality, the Finance Office must receive all payments.

No cash payment shall be accepted unless an official receipt can be issued immediately. Monies received by any department other than the Finance Office should regularly be paid to the Finance Office or alternatively deposited into the bank account of the municipality designated by the Council.

All monies received by the municipality must be deposited in the municipality's bank account designated by the Council not later than the first working day after the day of receipt.



### **13. RECEIPTING POLICY GUIDELINES**

#### **13.1. PERMISSIBLE METHODS OF PAYMENT**

13.1.1. A debtor may settle his/her debt with the municipality by means of:

- a) Cash payment at a pay point of the municipality;
- b) Cheques
- c) Stop-order in favour of the municipality against his/her bank account;
- d) Any approved third party collection agency that has been duly authorised by the municipality;
- e) Credit/debit card; or
- f) Direct electronic transfer or deposit into the municipality's bank account.

13.1.2. The Metro reserves the right from time to time to introduce new payment methods in line with the advancements of technology, and to:

- a) Recover the costs of the introduction of such method from the account holder/s,
- b) Discontinue the use of existing payment methods.

13.1.3. Factors that will guide the discretion of the Metro in discontinuing a payment method include:

- a) Susceptibility of payment method to fraud and corruption,
- b) Difficulty with tracking payment/s and appropriating payment/s to the correct account,
- c) Cost of sustaining payment/s method.

#### **13.2. FLOAT**

- a) A cash float to a value to be determined from time to time will be made available to the cashiers.
- b) The supervisor must verify daily the cash float when balancing the cashiers.
- c) A Cash float increase or decrease can only be considered on request received in writing from the relevant Directorate. The request must detail the reasons for the variation.



### **13.3. RECEIPT**

- a) The receipts of all monies must immediately be recorded by means of a sequentially pre-numbered official receipt or ticket or any other way approved by the Council.
- b) It is the responsibility of the Manager or relevant official to ensure that the Cash Summary is in compliance with the Metro's predefined standards.
- c) No alterations shall be made to a receipt, ticket or any other form of acknowledgement of payment.
- d) Any error that appears on a receipt, ticket or other form of acknowledgement of payment shall be corrected by a new receipt and cancellation of the erroneous one.
- e) Every cancelled receipt 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 this Policy.
- f) Any cash surplus found at any time must immediately be declared, a receipt issued for such surplus and deposited without delay to the credit of the appropriate account.
- g) Any cash deficits shall immediately be reported to the departmental head concerned and be paid in the next working day by the cashier concern.
- h) Payments may only be made for a valid and correct account (s) / vote number (s).
- i) Officials must ensure that original receipt/s is / are issued with the Metro's Logo.

### **13.4. RECEIPT, SAFE CUSTODY AND DISPOSAL OF MUNICIPAL MONEYS**

#### **13.4.1. PERSONS WHO MAY TAKE RECEIPT OF MUNICIPAL MONEYS**

- a) The duties of persons responsible for the collection and receipt of Municipal moneys shall be assigned to them in terms of this Policy and applicable standards or relevant legislation.
- b) Any person whose duties include the receipt or disbursement of Municipal moneys shall be responsible for the safe custody of all such Municipal moneys under his/her control. This shall include but not limited to, Cash, Audit rolls, Bank seals and Bank deposit bags, Manual receipt books where necessary, Cash book, Bank or Deposit books, Float, etc.
- c) Persons entrusted with the receipt and handling of Municipal moneys shall be granted leave at regular intervals of not more than 12 months.



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- d) If a person entrusted with the receipt, payment or collection of Municipal moneys is relieved of official/s duties, either temporarily or permanently, official/s receipts and payments and cash books, or in the case of computerised systems the corresponding control accounts shall be checked and balanced and the correctness of the balances and cash on hand certified by the signatures of the person being relieved, the person taking over and the supervisor. If the person being relieved is for any reason not able to so certify, a third person shall, where possible, be called upon to certify the correctness of the balance by appending official/s signature.
- e) When a person is relieved, a list shall be compiled of the contents of any safe or cash register handed over and this list shall be certified by the persons referred to in that instruction.

### **13.4.2. INSTRUCTIONS IN RESPECT OF THE ISSUE OF MACHINE / MANUAL RECEIPTS**

- a) Duties of each official responsible for machine/manual receipts shall be defined in order to prevent unauthorised access to machines and machine records;
- b) A responsible person such as the Receipting Supervisor shall be appointed who shall not be the cashier or machine operator, to be in charge of the machine keys giving access to the totals, audit or cash roll, duplicate receipt holder and the numerical sequence numbering mechanism;
- c) Signatures shall be obtained at the handing over of machine control keys;
- d) Procedures in connection with the deletion and creation of codes shall be in writing.



#### **13.4.3. MONEYS RECEIVED WHICH CANNOT BE ALLOCATED IMMEDIATELY**

All moneys received which cannot immediately be allocated shall be credited to a suitable "suspense account" after an official receipt has been issued. When the remittance can be allocated the adjustment shall be made by warrant voucher, cheque, journal entry, or on such method as prescribed for computerised systems as the case may be. If the adjustment is made by warrant voucher or cheque, care shall be taken to ensure that a second receipt is not issued in favour of the person or authority from whom the remittance was originally received, but in favour of the drawer of the adjusting warrant voucher or cheque.

#### **13.4.4. DEPOSITING OF MUNICIPAL MONEYS**

- a) Unless approval by Council has been obtained to deviate from this instruction, all amounts received shall, where possible, be banked on the date of receipt, and any receipts which cannot be so banked shall be banked on the next official working day.
- b) When any deviation is considered, factors such as the availability of banking facilities, facilities for the safe custody of moneys, the economical utilisation of transport, etc., shall be taken into account.
- c) Depositing of Municipal moneys and banking is the responsibility of each official designated for this purpose.

#### **13.4.5. ACCOUNTING FOR RECEIPTS AND COLLECTION OF DEBTS**

- a) Supervisors shall ensure that persons entrusted with the collection of Municipal moneys bring amounts in their care into account, or account therefore, ***without delay*** and shall also take immediate steps to collect outstanding Municipal moneys.
- b) Should any delay be discovered, an immediate investigation shall be instituted by the supervisor and the matter brought to the personal notice of the head of the office who, in the case of recurring or protracted delays or where there are indications that irregularities may have taken place, shall report the matter to the responsible manager. The said manager shall investigate and report any irregularities to the Chief Financial Officer and the Internal Auditor.



#### **13.4.6. CASH DEPOSITS AT A BANK**

- a) The duty of depositing and banking of daily receipts shall be assigned in accordance with this policy and approved Operating Standard Procedures. All depositing and banking of daily receipts is done to a designated bank as approved by Council.
- b) A responsible official shall daily reconcile receipts with the daily deposit to ensure that the correct amount is deposited and documented, no money have been withheld and that the instructions regarding the receipt, custody and disposal have been carried out. The last receipt included in a daily deposit must be signed as proof of verification.

#### **13.4.7. SECURITY OF CASH AND AT CASH POINTS**

The responsible Manager shall:

- a) Regularly, in consultation with the Chief Financial Officer and the Internal Auditor assess the impact and likelihood of loss of monies received due to theft, robbery or fraud; and
- b) Implement such measures as may be necessary, which may include structural changes to pay point facilities and prescribing procedures, to reduce the risk of loss of monies due to theft, robbery and fraud.

Whenever loss or destruction of monies received occurs, the Chief Financial Officer / delegated official shall:

- a) As soon as practicable after he/she has become aware of the matter,
  - i. Conduct or commission an investigation of the circumstances of the loss or destruction;
  - ii. Determine the amount of the loss or damage suffered by the municipality.
- b) Take appropriate action to,
  - i. Recover any loss the municipality may have suffered;
  - ii. Provide a recurrence of the event.
- c) In appropriate cases.
  - i. Institute disciplinary action; and
  - ii. Report the matter to the South African Police Service



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14. An employee who fails or refuses to implement or to comply with any security measures and procedures prescribed by this Policy in terms of paragraph 13.4.6. (b) shall be guilty of a disciplinary offence. In any disciplinary enquiry pursuant to paragraph 13.4.6. (c) it shall not be a defence for an employee accused of misconduct to submit that she/he acted under the instructions of another employee or a councillor if it is found that she/he did not comply with any security measures or procedures prescribed by this Policy.

### 15. **COMPETENCE AND CAPACITY TO IMPLEMENT THE POLICY**

- a) The Policy should be available and communicated to all staff that are Receiving and Handling Cash Collections,
- b) All staff that are receiving and handling cash must be aware of the prescriptions of the policy,
- c) All staff that are receiving and handling cash must be aware of the procedures contained in this policy,
- d) All Head of Departments/ General Manager's/ Programme Manager's/ Managers and Supervisors must ensure compliance with this policy,
- e) All staff that are receiving and handling cash must ensure recording, balancing and reconciliation of transactions are adhered to in terms of this Policy,
- f) All staff that are receiving and handling cash must ensure banking of receipts is adhered to in terms of this Policy and the relevant legislation,
- g) All staff that are receiving and handling cash must ensure Control over Cash.
- h) All Head of Departments/ General Manager's/ Programme Manager's/ Managers and Supervisors must ensure that the Draft Receipting Policy is implemented and enforced by all staff handling cash within Buffalo City Metropolitan Municipality,