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# **GREATER LETABA MUNICIPALITY**

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## ***BOOKS OF ACCOUNTS POLICY***

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## 1. DEFINITIONS

The following words, as used in this policy, hereby have the meanings assigned to them:

1.1. **“Books of accounts”** means the records or books in which all financial information (transactions) of the municipality is recorded and maintained. It include amongst others the following:

- General ledger financial system;
- Sub ledger systems such as debtors, creditors; inventory, fixed assets, loans, etc.;
- Journals (computerised or manual);
- Credit and debit notes;
- All supporting monthly and annual reconciliations;
- Supporting accounting registers, etc.

1.2. **“Municipality”** means the Greater Letaba Municipality except where otherwise stated.

1.3. **“Policy”** means the books of account policy;

## 2. INTRODUCTION

2.1 The purpose of this policy is to set clear guidelines as to the updating and reconciling of the Municipality's books of account on a monthly basis in order to ensure financial information that is up to date, reliable and accurate.

2.2 This policy also applies to the controlled items, which are all documents that can be used to initiate and affect transactions with monetary on the financial system of the Municipality. These documents can inter alia include the following which are in most instances pre-numbered:

- i. Computerised and manual receipts;
- ii. Credit notes and debit notes
- iii. Invoices generated by the Municipality;
- iv. Order books;
- v. Store issue requisitions;
- vi. Goods received notes and Goods issue notes;
- vii. Cheque books;
- viii. Cheque book register;
- ix. Journals and any other document used in the process and that can affect transactions with monetary value.

### **3. RECONCILIATIONS**

- 3.1. The books of account of the Municipality must be closed off on a monthly basis and all the control accounts must be reconciled to the relevant sub-ledgers and or substantiating registers. The month-end close off date will be the last day of each month.
- 3.2. The general ledger control accounts should be reconciled to the trial balance and sub-ledgers or substantiating registers at the date stipulated in the reporting and month end structure following the month close off date and will in almost instances be the 7<sup>th</sup> day of each month or the closest working day to the 7<sup>th</sup> day.
- 3.3. All heads of units within the Finance Department must generate and ensure the completeness and accuracy of the reconciliations delegated to their respective sections and that the reconciliations are finalised as at the date as stipulated above. The reconciliations should be supported by a document in print and signed by the compiler as well as reviewer.
- 3.4. All head of units within the Finance Department must report to their respective Assistant Directors by submitting the required reconciliations by the date specified in point 3.2. This will include the reconciliation of all the general ledger control accounts delegated to their respective units.
- 3.5. The Assistant Directors must review all the reconciliations submitted to them for completeness and accuracy and that the balances per the reconciliation agrees to the balances of the relevant general ledger control accounts. This review function must be performed by the 10th day of each month or closest working day to the 10th day. The reconciliations must be signed as proof of the reconciling function performed.
- 3.6. Reconciling items may not be carried on the reconciliations for longer than 30 days and all such reconciling items must be cleared at year-end.
- 3.7. The Assistant Directors are responsible to follow up on any reconciliations not submitted by the deadline dates and report to the Director: Finance the reasons for late submission as well as estimated time that such reconciliations will be completed.
- 3.8. The Assistant Directors must report to the Director: Finance by the date as specified above by submitting the detailed signed reconciliation for final review and reporting purposes.

- 3.9. The Director: Finance must perform a second review of the reconciliations and approve, through signature, all reconciliations and report to the Municipal Manager and relative committees by the latest the 13<sup>th</sup> day of each month or closest working day to the 13<sup>th</sup> day.
- 3.10. The Assistant Director: Expenditure, Budget and Reporting must obtain and put a copy of each reconciliation approved by the Director: Finance in the monthly audit file.
- 3.11. Suspense accounts should be followed up and cleared on a daily basis.
- 3.12. Lead sheet and reconciliations, but not limited to the following accounting cycles, should be prepared / generated on a monthly basis after the relevant general ledger control accounts were reconciled to the trial balance, sub-ledgers or substantiating registers:
- i. Fixed assets;
  - ii. Investments;
  - iii. External loans;
  - iv. Bank and cash;
  - v. Trade receivables
  - vi. Sundry receivables;
  - vii. Trade payables;
  - viii. Sundry payables;
  - ix. Inventory;
  - x. Motor fleet management accounts;
  - xi. Unspent conditional grants;
  - xii. Bonus and leave provisions;
  - xiii. Consumer deposits;
  - xiv. Deposits paid;
  - xv. VAT;
  - xvi. Provision accounts;
  - xvii. Water and electricity losses;
  - xviii. Revenue from trade services;
  - xix. Revenue from government grants;
  - xx. Interest received;
  - xxi. Interest paid;
  - xxii. Revenue from sundry sources;
  - xxiii. Payments to councillors and personnel cost summaries;

- xxiv. Depreciation;
- xxv. Repairs and maintenance.
- xxvi. All other general ledger accounts not detailed above.
  
- 3.13 All journals passed on the financial system must be approved by the Director: Finance or delegated assistant director;
  
- 3.14 All journals passed on the financial system must be substantiated by relevant supporting documentation.

#### **4. REPORTING**

- 4.1. The Director: Finance must report to the Municipal Manager on the financial position of the Municipality by at least the 20th day of each month or closest working day to the 20<sup>th</sup> and for this purpose a detailed financial management reporting pack must be generated.
- 4.2. The Director: Finance must report to the relevant committee and council on the financial position of the Municipality by the last day of each month on the financial performance and position of the preceding month and for this purpose a summarised monthly financial management reporting pack must be generated.
- 4.3. The detailed financial management report pack should contain at least the following information:
  - i. Set of year-to-date financial statements.
  - ii. Year-to-date trial balance that is mapped to the financial statements.
  - iii. Copies of all reviewed and approved general ledger control account lead sheets;
  - iv. Budget statistics with a comparison between year to date actual versus budgeted totals including a detailed report with reasons for over-expenditures and possible required instances for veriment,
  - v. Debtor statistics and age analysis.
  - vi. Cash flow forecasts for the next two months.
- 4.4. The Executive Committee of the Municipality should meet at least on a monthly basis and discuss finances and administrative matters.
- 4.5. The Finance Committee and Council should meet at least on a monthly basis to discuss financial issues and the financial report as prepared by the Director: Finance.



## **5. SECURITY AND SAFEKEEPING**

- 5.1. All pre-numbered books and records should be controlled through a stationery register and kept in a fireproof lockable safe when not in use and / or after working hours.
- 5.2. Access to the records must be restricted to employees that are responsible for the relevant accounting cycle.
- 5.3. Access to the finance office must be controlled. All doors leading to the Finance Department offices must be locked after hours and during periods when employees are not present in such offices.
- 5.4. Access to computers in the Finance Department should be controlled by use of user IDs and passwords which should be changed at least on monthly basis.
- 5.5. Daily back-ups must be made of the Municipality's financial system as well as individual's desk and laptop computers.
- 5.6. The monthly and year-end audit files and signed financial statements must be kept in a fireproof lockable safe.
- 5.7. Annual back-ups must be made of the final audited financial system and such back-ups kept in a secure area separated from the Main Offices.

**6. REVIEW OF THIS POLICY**

- 6.1. This policy should be reviewed at least on an annual basis by the Policy Review Committee.