

PROVINCE OF THE EASTERN CAPE



DEPARTMENT OF RURAL DEVELOPMENT AND AGRARIAN REFORM


Revenue Management Policy

FOREWORD

The policy is intended to provide a framework to manage departmental revenue, implement effective processes to record and collect revenue as prescribed by the Public Finance Management Act and Treasury Regulations.

The Department is committed to ensuring that all revenue management processes are applied uniformly throughout the Department. This policy acts as a guide for Revenue Management officials to maximize revenue collection and accountability.

All staff members must be aware and apply the policy directives. Any breach of the policy directives shall result in disciplinary action.



SUPERINTENDENT GENERAL

DATE

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ABBREVIATIONS

MEC	Member of the Executive Council
AO	Accounting Officer
CFO	Chief Financial Officer
MTEF	Medium Term Expenditure Framework
FS	Financial System
PFMA	Public Finance Management Act
TR	Treasury Regulations
PMG	Pay Master General
DORA	Division of Revenue Act
EFT	Electronic Fund Transfer

DEFINITIONS

Appropriated funds comprise of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriations)

Departmental revenue is the inflow of cash arising in the course of the ordinary activities of the department, normally from the sale of goods, the rendering of services, and the earning of interest, taxes and dividends. It includes transactions in financial assets and liabilities and also transfers received. Departmental revenue is collected by the departments, and is subsequently paid over to the Provincial Revenue Fund. However, departmental revenue excludes appropriated funds.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by the department, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Taxes are economic benefits or service potential compulsorily paid or payable to the department, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1. OVERVIEW

This policy prescribes the recognition and recording of departmental revenue. It outlines the types of revenue derived by the department. The policy outlines how to account for departmental revenue in the records of the department.

1.1. VISION

1.1.1. Vibrant, equitable, sustainable rural communities and food security for all.

1.2. MISSION

1.2.1. Promote, support and coordinate rural development and agrarian reforms to reduce poverty and under-development through integrated and participatory interventions.

1.3. VALUE

1.3.1 **Innovation:** Committed to keep abreast of new developments in relevant fields of expertise and be innovative in carrying out the mandate of the Department

1.3.2 **Excellence:** We are committed to exceed our customer's expectations for quality, responsiveness, efficiency and service excellence

1.3.3 **Bambisanani:** Believe that sum of our collective efforts will be greater than the total of our individual efforts

1.3.4 **Mutual respect:** We value each other's contribution as we seek to realise the vision and goals of the Department.

1.3.5 **Honesty and integrity:** Commitment to be transparent with all stakeholders

1.3.6 **Inclusiveness:** *"Bonke abantu esisebenza nabo, siya kusebenzisana nabo ngokufanelekileyo nangokulinganayo"*

2. LEGISLATIVE FRAMEWORK

The following regulations and prescripts will guide this policy:

- 2.1 South African Constitution, Act 108 of 1999;
- 2.2 Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999;
- 2.3 Division of Revenue Act 29 of 1999;
- 2.4 Treasury Regulations Act 1 of 1999;
- 2.5 Financial Management Practice notes and Circulars;
- 2.6 Standard Chart of Accounts Act 1 of 1999;
- 2.7 Modified Cash Standards

3. OBJECTIVES

- 3.1 To ensure that departmental revenue is recorded and recognised
- 3.2 To maximise revenue collection in all revenue collecting centres
- 3.3 Ensure safe keeping of revenue collected
- 3.4 To ensure compliance with applicable legislation with regards to departmental revenue

4 SITUATIONAL ANALYSIS

- 4.1.1 Non alignment of revenue tariffs to Provincial Revenue Generation Strategy
- 4.1.2 The revenue collected is not recorded accurately and completely in the accounting system.
- 4.1.3 The revenue collected may not be deposited timeously into the departmental bank account
- 4.1.4 The revenue tariff policy is aimed at recovering the cost of goods and services
- 4.1.5 Access to cashier's office may not be restricted to authorized persons only.
- 4.1.6 Lack of security for cash in transit/security guards for our daily banking of cash.
- 4.1.7 Non-alignment of revenue tariffs to Provincial Revenue Generation Strategy.

5 SCOPE OF APPLICABILITY

This policy applies to all departmental officials who collect and record departmental revenue.

6. SOURCES OF REVENUE

The Department collects own revenue mostly from sale of goods and services rendered to the agricultural community. Listed below are the significant sources of revenue for the department;

6.1. Sale of goods and service

6.1.1. This revenue is from sale of goods and services produced by the department and sale of scrap, waste and other used current goods.

6.1.2. The sale of goods and services produced by the department consist of the following amongst others;

- commission on insurance,
- sale of wool/skin
- services rendered: course fees
- services rendered: vet services
- lab services: plants and soil
- sale of fresh farm produce – animals and plants

6.1.3. The sale of scrap, waste and other used current good consist of assets that either damaged or are no longer in use by the department

6.2. Transfers Received

6.2.1. Transfers received are from funds to be surrenders by our public entity ECRDA. The Department transfers these funds to the Provincial Revenue Fund.

6.3. Fines, penalties and forfeits

6.3.1. This is non-exchange revenue derived from fines and penalties enforced by a court of law or law enforcers such as traffic fines

6.4. Interest, dividends and rent on land

6.4.1. Interest received is from interest bearing debtors. As we record the repayments from debtors, the interest received is recorded separately.

6.5. Sale of capital assets

6.5.1. The sale of capital assets consists of movable tangible assets and biological assets.

6.5.2. The sale of capital assets are assets that cost more than R5000.

6.6. Transactions in financial assets and liabilities

6.6.1. This revenue is from repayments of debtors including inter-departmental receivables from previous financial years which have been received in subsequent financial years.

7. IMPLEMENTATION PROCEDURES

7.1. Recognition and measurement

7.1.1. All revenue is recognised when cash is received

7.1.2. All revenue is recorded at the actual cash received

7.1.3. The exchange transactions through sale of goods and services should coincide with the receipt of funds from the recipient of goods and service

7.2. Collection of revenue

7.2.1. All cash received must be recounted together with the payer before accepting the amount

7.2.2. On receipt of the state money, a receipt must be issued in triplicate. The original must be handed to the payer, one copy must be attached to the batch reconciliation and one copy must remain in the receipt book for record keeping

7.2.3. Where a receipt has been cancelled, the receipt must be clearly marked "Cancelled" in bold letters across the face of the original receipt.

7.2.4. All receipts issued must be signed by the cashier

7.2.5. All manual receipts must be captured on the financial system, BAS, by the cashier on a daily basis.

7.2.6. The supervisor must authorise all issued receipts on a daily basis.

7.2.7. The cashier's office must be locked at all times

- 7.2.8. All revenue received and recorded are paid to the Provincial Revenue Fund as per Treasury Regulations. The revenue collected by the department may not be utilised to defray any expenditure of the department
- 7.2.9. The revenue collected may not be offset against any other expenses including related to the collection of revenue by the department

7.3. Depositing of revenue

- 7.3.1. All revenue received must deposited into the Department's bank account on a daily basis
- 7.3.2. Where the revenue collected is less than R500, it may be deposited by the following day
- 7.3.3. The depositor must ensure that the state money is transported safely between the Department and the bank
- 7.3.4. All deposits must be made on the official deposit book issued by the bank
- 7.3.5. The deposit must be cross-referenced to the receipts and write the relevant receipt number on the back of the copy of the deposit slip
- 7.3.6. All used deposit books must be returned to the Revenue manager

7.4. Types of sales

- 7.4.1. Cash sales must be done through a duly appointed cashier of the department
- 7.4.2. Auction sales may be conducted in-house or outsource to a reputable auction house. For all outsources auctions, the appropriate procurement process must be followed.
- 7.4.3. The following is the appropriate procedure for all goods and service sold through an auction;
- All auction sales must be cash only
 - A duly appointed cashier must receipt all auction sales
 - All valid sales must be receipted on the departmental receipt book

- All auction sales must have a minimum bidding price that is above the cost price of the item being sold
- All auctioned items must be at the prevailing market rate for those goods where possible
- A valid invoice must be issued for all good sold at the auction. The invoice must be presented by the payer to the cashier
- A valid invoice must be matched to a receipt issued for the sale of goods.
- For damaged or scrapped items, these goods must be sold at the best market price. The extent of damage on the goods must be indicated to justify the auction price.

7.4.4. All services offered free of charge must be approved in writing by the Accounting Officer.

7.5. Revenue tariff policy

- 7.5.1. Inputs for revenue tariffs will be obtained from all revenue contributors of the department
- 7.5.2. The tariffs must be quoted at market rate as far as possible
- 7.5.3. The tariff policy must indicate all tariffs applicable to commercial businesses
- 7.5.4. The tariff policy must indicate all indigent classifications and the applicable rates
- 7.5.5. All tariffs must be adjusted with the prevailing inflation rate or as directed by Provincial Treasury.
- 7.5.6. Where goods and services are offered free of charge, an explanation must be provided and indicated on the tariff policy
- 7.5.7. The Accounting Officer or delegated official must authorise the draft tariff policy.
- 7.5.8. The proposed tariff policy must be submitted to Provincial Treasury for the final approval on/before the 31 March of each financial year
- 7.5.9. Upon approval of the tariff policy by Provincial Treasury, all district offices and head, office must implement the policy.

7.5.10. The annual report must include the approved tariff policy, including information on exemptions, discounts, free services and any other aspects of material influences on revenue yield.

7.6. Method of Payment

7.6.1. All sales of goods and services must be in cash only.

7.6.2. The cash may be received/recorded as follows;

- Cash
- Credit and debit cards
- Direct deposit
- Electronic fund transfer (EFT)
- Bank guaranteed cheques

7.7. Surpluses and shortages of cash

7.7.1. All cash surpluses and shortages must be reported to the supervisor and the supervisor must verify and sign-off on all surpluses and shortages

7.7.2. All cash surpluses must be recorded and receipted in the departmental receipt book

7.7.3. All shortages resulting from an act committed by the cashier or duly authorised official must be recovered from such official.

7.7.4. Where the shortage amount is significant, the shortage may be deducted from the cashier's salary upon receipt of a written request.

7.8. Refunds

7.8.1. All refunds must be supported by valid proof of payment

7.8.2. All goods returned must be inspected to ensure that the goods have not been used

7.8.3. All refunds resulting from PERSAL over-deductions already transferred to the Provincial Revenue Fund must follow the appropriate process as per PERSAL and HR procedures.

7.8.4. All refunds must be made through the official payment process of the department

7.8.5. After the recording of revenue, the cashier may not issue any refunds without approval from the supervisor.

7.9. Dishonoured cheques

7.9.1. All cheques returned due to insufficient funds of the client must be dealt-with by Head Office in conjunction with institution/district.

7.10. Non-compliance

7.10.1. Non-compliance with the provisions of this policy without prior written authorisation by the Accounting Officer will be treated as a financial misconduct. This will result in appropriate disciplinary or criminal procedure being considered and instituted against the relevant person.

8. ROLES/RESPONSIBILITIES

8.1. The Chief Financial Officer must

8.1.1. Within 15 days of the end of each month submit the following to the Provincial Treasury and executing authority in terms of section 40(4)(c) of the PFMA.

- i. A projection of expected revenue collection for the remainder of the current financial year: and
- ii. Where necessary an explanation of any material variances and a summary of the steps that are taken to ensure that the projected revenue remain within budget.

8.2. The Manager:

- 8.2.1. is responsible for the day to day operations of managing revenue
- 8.2.2. has to monitor cashiers in various collection centers of the department
- 8.2.3. ensure that all revenue collected is deposited in line with the relevant departmental banking institute

9. MONITORING

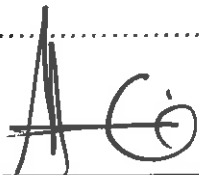
The Chief Financial and institutional heads must ensure implementation, Monitoring and Evaluation of this policy as detailed in this policy framework and procedure manual must be developed.

10. POLICY REVIEW

This policy shall be reviewed after 3 years upon approval or when a need arises to ensure that it meets the business and service delivery requirements of the Department.

11. RECOMMENDATION AND APPROVAL

Comments.....
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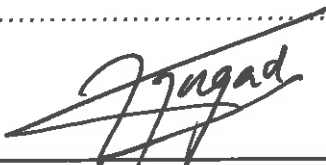
Chief Financial Officer

28/03/18

DATE

Approved / ~~Not Approved~~

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SUPERINTENDED GENERAL (DRDAR)

28/03/2018

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