

How To Open A Route Bank Account (64)

Every organisation needs money to run its operations and projects. It needs a bank account to receive deposits and to make payments. And while many organisations and small businesses operate in a mainly cash environment, it is good financial practice (especially for a nonprofit organisation serving its members) for all cash to be put into a bank account before it is used. This makes it easier to keep track of income and expenditure.

With the advent of internet banking, most bank accounts now come with many time-saving advantages and features that help manage and monitor your route's finances more easily.

A bank account is more than just a place to keep cash for the organisation, it is also an important tool for keeping financial records of income and expenditure, and for complying with company and tax laws. Like any system in your organisation, however, it must be well managed and well controlled. In any matter related to money, there must be strict control over who has access to the bank account and for what purposes.

This Guide will explain how to find a bank account that suits the needs of your organisation, and will provide some ideas about how to make the most of your banking facilities.

The Open Africa Toolkit describes how to constitute your route as a legal entity, and this entity is the legal person in whose name the bank account will be opened.

The Guide emphasises that using your bank account in an efficient and responsible way will help to keep your organisation compliant and well managed. This starts with the election of the Route Forum, and within this committee, a

financial manager, who will generally have most to do with the money and bank account, but only in conjunction with other specified members of the committee – usually the Chairperson and the Administrator.

There are other Guides you will find useful on matters related to banking and finance, such as managing a route budget and route finances, as well as how to report on route finances and how to remain compliant with the law.

Why it is important to have a bank account

A bank account allows the route to keep track of its income and expenditure, especially if the bank provides you with a monthly statement. With internet banking, it is also easy to generate statements at any time, to monitor deposits and payments, to check on activity in the bank account, and to make electronic payments.

All this makes it easier for your accountant to audit your financial affairs and produce an annual financial statement for the SA Revenue Services; the latter is a requirement for the route to comply with tax law. Without such compliance, SARS will not issue your route the Tax Clearance Certificate you will require to do business with any government department or agency or any large corporation.

Your bank statements will also be primary documents for the Route Forum to inspect in its role as monitor of the organisation's good governance.

How to open a suitable bank account

When choosing a bank, consider the following things:

- **Geographic location:** Choose a bank that is close to

where your route office is based. Although you can do much banking online, there are some things you will have to go into the bank to do, especially when you are first setting up your organisation.

- **Banking fees:** Banks charge differently for their services. Once you know which banks are close to you, visit each one and request a schedule of fees or a pricing list. If there is anything on this document you don't understand, ask someone to explain it to you. You can then compare the fees to find out which bank will cost you less. What kind of transactions will you be doing most?
- **Service:** You might decide that good service is more important than a small difference in costs. How many tellers are open and how slow is the queue? Is the person at the information desk helpful? Are your questions answered to your satisfaction? What kind of service do you get from the person who answers the phone?
- **Reputation:** Ask your colleagues and other local organisations how they feel about their bank and branch. This is a good way to find a particular branch that has a good reputation. Listen to what people say about their bank and then research the branch yourself.

How to choose the right kind of account

Depending on the bank you choose, you should be able to open one of the following accounts:

- **Business savings account:** This is a basic transaction account for deposits, withdrawals and transfers. You can get an auto-teller machine (ATM) card, and you will be able to apply for internet and telephone banking.
- **Business cheque account:** This account will provide you with a cheque book. Some banks also provide you with a cheque card, which works like a debit card. A business

cheque account will allow you to apply for an overdraft, but probably only after the account has been open for between three and six months (depending on the bank). If your business has been open for some time already and you are able to show a regular flow of cash, some banks might consider giving you an overdraft. This would depend on the financial history of your business.

- **Investment account:** If the organisation receives income or funding in lump sums, you can consider opening one of a range of investment accounts – such as a seven-day or 30-day call account, or a money market account – which will earn you some interest on the money held there.

When you are choosing an account, think about whether you will need the following services:

- **Overdraft or other credit facilities.** If you are likely to apply for credit at any stage in the future, you want to be sure that your business transactions until then give you a positive profile at the bank. There are some business accounts that do not qualify you for credit, and these can be difficult, costly and time-consuming to change at a later stage.
- **Internet or electronic banking.** Banks may or may not charge a fee for internet and electronic banking services, but using these is often cheaper than visiting the branch to do your banking. Electronic banking includes self-service terminals (which are open 24 hours to do deposits, transfers, get statements and pay accounts), cellphone and telephone banking.
- **Point-of-sale (credit and debit card) machines.** If you require point-of-sale (POS) facilities, make sure that the bank can provide these with the account you are opening. POS facilities are usually managed by a different department at the bank, but the business banker who helps you open your account will be able to put you in contact with the right people.

- **A cheque book.** Although cheques are becoming an expensive and outdated method of payment, you might decide that it is easier to control payments if the organisation issues cheques. Some banks offer cheque cards, which work like debit cards, and these are often useful for retailers that won't accept cheques. Remember that there is the risk of cheques being used fraudulently, which is why they are often refused. They also usually cost much more than electronic transactions, if they are not included in a package of services.
- **Credit or garage cards.** Some accounts will provide you with these cards, but remember that these services require credit, and you may have to wait a few months (to develop a good credit record) before applying for them.

How to open an account

The process of opening an account is different from bank to bank, but you are likely to need the following:

- If your route is registered as a company with the Companies and Intellectual Property Commission (CIPC), you will need to show the bank the CIPC registration documents. If there have been changes made to the business since startup, you will also need to show the relevant CIPC documents.
- Identity documents for all directors of the company.
- Proof of residence for yourself (if you are a sole proprietor), or for all company directors. This can be an account, such as electricity or phone bill, addressed to you. It should not be older than three months.
- Proof of the physical address of the organisation. This can be a business letterhead, for example.

Depending on the bank, either all company directors or a minimum of two directors need to be present to sign when the

account is opened. If the bank doesn't require all directors to be present, you should ensure that the directors have all signed a resolution nominating the chosen director to act as signatories on the account. Have this on hand to present to the bank if they ask for it.

You will probably need to have an opening balance (that is, money in the account) of between R200 and R500, depending on the bank and the account.

Who is involved with the bank account

The Route Forum must manage the finances of the organisation; particularly, the people on the committee dealing with money and the bank account will be the Financial Manager, the Chairperson and the Administrator. It is important to have at least two or three signatories, and at least two must authorise each payment that is made from the account; this is a basic requirement of good financial governance. It makes sense to have about four members of the committee authorised by the bank to be signatories, so that if one or two of them are not available, there will still be two people who can authorise a payment or other bank function.

How to apply good banking practice to the route

As part of the route's governance procedures, it needs a financial policy to outline how the organisation will manage its money. This will include clear guidelines on who is authorised to carry out banking activities, and puts in place controls to limit the likelihood of abuse of funds.

Practical tips

- Before you go in to open an account, try and get a written checklist of all the documentation they will require then leave yourself plenty of time – it can be a time-consuming process.
- Remember that you have not committed to any account or other facilities before you have signed an agreement. If you begin an application with one bank and change your mind before signing, you are free to choose another bank.
- Service charges are usually not negotiable. The branch you bank with charges for services according to corporate policy, which is set by their head office.
- Check on the bank's turnaround time for opening a bank account. It is unlikely that you will be able to shorten this, and it would be unfair to expect your banker to try.
- Not all banks can help you if you just walk into the branch. A business banker might only be able to see you if you have made an appointment. Phone first to check the procedure.

Use of this Guide

The members of the Route Forum can use this Guide – particularly those in administration and financial portfolios on the forum – to check on how the organisation's bank account should be opened and operated.

The Route Forum must keep a close eye on the bank account and banking activities – not just to ensure that it has enough money to carry out its activities, but to guard against anything that might suggest a lack of financial discipline. The Open Africa Charter emphasises “integrity, honesty and complete transparency in maintaining impeccable credibility” as one of its core values. This applies very strongly to how

the organisation manages its finances, which helps protect the route's survival. Also, suspicion of financial mismanagement would make it very difficult to apply for funding from donors or government.

Other Guides and Resources

Several Guides will assist you in making your route compliant. These include:

- Guide: [How To Remain Compliant With The Law](#)
- Guide: [How To Serve As Route Treasurer](#)
- Guide: [How And When To Register For Tax](#)
- Guide: [How To Develop And Manage A Route Budget](#)
- Guide: [How To Adopt A Constitution As A Voluntary Association](#)
- Resource: [Template: Constitution Of A Voluntary Association](#)

Other resources

This is a useful website for comparing banks, bank accounts, features and pricing:

www.justmoney.co.za