

# MAGARENG LOCAL MUNICIPALITY



Magareng local municipality

## UNALLOCATED/UNCLAIMED DEPOSIT POLICY

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## 1 **DEFINITIONS**

**“Council”** means a municipal council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

**“Creditor”** means a person to whom money is owed to by the municipality.

**“Customer”** means any person comprising:

- resident of the municipality.
- debtor account holder in the municipality.
- any civic organization involved in the municipality; and/or
- any visitor or other people who make use of services or facilities provided by the municipality.

**“Primary bank account”** means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

**“Register”** means the official register kept to receipt all unclaimed deposits.

**“Municipality”** means the Magareng Local Municipality established in terms of section 155 of the Constitution

**“Unallocated deposits”** ‘means:

- a) Unclaimed/Unknown/Unidentifiable deposits into the municipal bankaccounts
- b) Unclaimed deposits for facilities and buildingdeposits
- c) Unclaimed surplus cash received by municipalcashiers
- d) Unclaimed credit balances on inactive debtor accounts (consumer andundry)

## **2 INTRODUCTION**

Magareng Local Municipality receives money from various depositors for various reasons on a daily basis. Consumers, individuals or businesses have the option to pay for municipal services or other services rendered by the municipality by way of an electronic transfer or deposit at the bank. The payments can only be allocated correctly if they are correctly referenced.

Throughout the years, however, the municipality has received various deposits that reflect on the bank statements with either the incorrect reference numbers or the reference number is not sufficient to identify the person who made the deposit.

These deposits can only be receipted against a debtor's account only when proof of the deposit can be furnished by the person that made the deposit.

Monies are unclaimed for various reasons and commonly arise amongst other things from the following:

1. Monies deposited into the municipal bank accounts without any reference, or invalid references.
2. Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
3. Creditors/consumers are unaware of their legal right to the monies.
4. Cannot be identified and allocated to an account or vote.
5. Deposits paid for utilization of facilities not claimed by customer
6. Cash received by cashiers in excess of their recorded cash for the day and is considered to be a surplus
7. Credit balances on inactive consumer or sundry debtor accounts arising from receipts or any other transactions which are not claimed.

### **3 OBJECTIVES OF THE POLICY**

The objectives of the policy are to:

To provide a framework on how to deal with unknown or unclaimed monies in the municipal bank account.

To provide guidelines to identify unidentified deposits in the municipal bank account.

To provide guidance on accounting treatment of long unclaimed funds

### **4 LEGISLATIVE FRAMEWORK**

- Local Government Municipal Finance Act, Act 56 of 2003.
- Prescription Act 68 of 1969.
- Municipal Systems Act 32 of 2000.
- Generally Recognized Accounting Practice

Revenue management involves all the procedures necessary to ensure that the income of the municipality is properly planned and fully accounted for, and that cash once received is safeguarded and banked promptly

In terms of Section 64 (2) (e) (Revenue Management) of the Municipal Finance Management Act, Act 56 of 2003.

“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;”

## **5 IDENTIFICATION OF UNCLAIMED MONIES**

- Unclaimed monies are any amounts of money legally payable to a creditor and that have not been claimed or banked within a period of one (1) year after the date on which they became due.
- An unclaimed receipt is any amount of money legally paid by a customer as a deposit for the use of municipal facilities which has not been claimed within a period of one (1) year after the date of use of the facilities.
- An unclaimed receipt is any surplus cash received by a cashier in excess of their receipted cash which has not been claimed one (1) year after receipt.
- Credit balances on inactive consumer or sundry debtor accounts arising from receipts or any other transactions which are not claimed after one (1) year after the credit balance became due to the account holder.
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## **6 PROCESS OF DEALING WITH DEPOSITS**

### **6.1 Municipal Bank Account Deposits, Direct Transfers and Electronic Banking**

- Identify all the direct credits on the bank statement, such as direct deposits by ratepayers, consumers and levy payers, subsidies and grants paid by National and Provincial Governments, interest on investments and miscellaneous credits. Process these credits by capturing to the respective votes on the system.
- Identify full details of these credits timely to avoid having to account for these credits in the Unallocated Deposits Account.
- Record all unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up; and
- Balance the unidentified receipts register to the Unallocated Deposits Account in the general ledger on a monthly basis.

### **6.2 Direct Bank Payments**

- Direct payments such as direct deposits / bank transfers to the municipality's bank account are received without proper reference and the origin of the payment cannot always be allocated.

- Therefore, debtors must use their account numbers as reference when making transfers for auto allocation. Where a direct payment is made for various debtors accounts, a remittance must be forwarded/ faxed or emailed to the budget and treasury department so that immediate split can be done to the various debtors accounts.

### **6.3 Deposits and Clearing of Accounts**

- All deposits must be correctly allocated to the relevant debtors account and furthermore the amount must be correctly allocated to the correct services paid for. The payee cannot be identified when there is no reference against the deposit when it appears on the bank statement. These deposits must be identified and captured into the receipting system to ensure that debtors' accounts are credited. Direct deposits/bank transfers to the municipality's bank account must be accompanied by identification (reference) of the party making the deposit/ transfer.

### **6.4 Procedure regarding Unidentified Deposits**

- Any unknown Deposits will be temporarily posted to the Trade Payables – Unallocated Deposits. 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.
- Unallocated deposits in the Unallocated Deposits Account should be traced as to its origin, the details of the depositor and journalized to the correct accounts. Debtors / ratepayers are notified and requested to include account numbers on deposit slips when paying by internet banking and specific reference when payment is made to ensure that the unidentified deposits reduces.
- When deposits are received without adequate supporting documentation (remittance) or explanation, the amounts are posted to the Unallocated Deposits Account it is the responsibility of Revenue Manager to investigate and clear each item and the following procedures are followed:
- All unidentified credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount and followed up; and
- Identify full details of these credits timely to avoid having to account for these credits in the unallocated deposits

- Balance the unidentified deposits register to the Unallocated Deposits Account in the General ledger monthly.

These accounts should be monitored and reconciled monthly. It should be manageable to reconcile and keep these accounts up to date each month, once long outstanding items have been cleared and correctly allocated.

## **7 REGISTER OF UNCLAIMED MONIES**

After all the standard operating procedures to identify and process the unallocated monies have been exhausted and the period of one (1) year expired, all unclaimed and/or unallocated monies will be recorded in a unclaimed monies register to be kept by the Finance Department: Budget and Treasury Division.

The register will be maintained and updated regularly and be kept for a period of one (1) year.

After the unclaimed and/or unallocated monies have been recorded in the register the rightful owner thereof can claim the monies within a period of one (1) year from the date the monies were deposited or became unclaimed subject to adequate documentary proof of claim being provided by the claimant of the monies.

The total value of unclaimed monies and/or unallocated direct deposits per register will be recognized as a liability in the financial statements of the municipality.

### **8 UNCLAIMED MONEY TO BE RECOGNISED AS MUNICIPAL SUNDRY REVENUE/INCOME**

Should unclaimed monies not be claimed within the period of one (1) year, the monies will be written off from the register and be recognized as Municipal sundry revenue/income in that financial year.

The following process must be followed before any unclaimed monies are recognized as municipal sundry revenue:

- (a)** the register will be advertised in the media in terms of section 21A of the Municipal Systems Act, 32 of 2000 that it will lie open for public inspection.
- (b)** such register must lie open for inspection for a further period of four (4) months.
- (c)** the register will be made available for inspection at the main municipal buildings.
- (d)** the prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor; and
- (e)** after the four (4) months period a report will be submitted to Council on the unclaimed monies to be written off from the register for approval.

**9 REVIEW**

This policy will be effective from date of adoption by Council and will thereafter be reviewed annually to ensure that it complies with changes in applicable legislation, reporting framework and the operating requirements of the municipality.

The policy will be implemented upon approval of the amendments by Council.

**DATE OF ADOPTION:** 30 MAY 2023.....

**DATE OF IMPLEMENTATION:** 01 JULY 2023.....

**SIGNATURE OF ACTING MUNICIPAL MANAGER:**.....

**DATE:** 30 MAY 2023.....

