



SETSOTO LOCAL MUNICIPALITY

UNALLOCATED OR UNIDENTIFIABLE DEPOSIT POLICY

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1. DEFINITIONS

For the purpose of this policy, the following definitions are used

- (a) “Council” means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.
- (b) “creditor” means a person to whom money is owed to by the municipality.
- (c) “customer” means any person comprising:
 - a) resident of the municipality;
 - b) ratepayer of the municipality;
 - c) any civic organization involved in the municipality; and/or
 - d) any visitor or other people who make use of services or facilities provided by the municipality.
- (d) “primary bank account” means a bank account referred to in section 8(1) of the Municipal Finance Management Act, and in favour of Setsoto Local Municipality.
- (e) “register” means the official register kept to receipt / record all unallocated deposits.
- (f) “municipality” means the Setsoto Local Municipality established in terms of section 155 of the Constitution.
- (g) “unallocated deposits” means deposits made by consumers which remains unallocated to the consumer’s account due to lack of proper references or documentation.

2. INTRODUCTION

1. In terms of Section 64 (2) (e) of the Municipal Finance Management Act, Act 56 of 2003; the Accounting Officer take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system which:
 - (a) recognises revenue when it is earned;
 - (b) accounts for debtors; and
 - (c) accounts for receipts of revenue;”
2. 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 safe-guarded and banked promptly.
3. 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 safe-guarded and banked promptly.
4. Unclaimed monies/deposits is a challenge faced by the municipality where money is deposited into the Municipal Primary Bank Account of the Municipality or payments which cannot be identified nor are claimed by any Consumer or Creditor of the municipality.

3. BACKGROUND AND OVERVIEW

1. When services are paid over, some Consumers do not fill in their account numbers (as a reference) for identification and do not document their contact details. As a result, the municipality has difficulties in allocating those deposits to relevant consumer accounts.
2. Firstly, during billing the following transactions are processed correctly.

Dr Debtors (Consumer account)

Cr Revenue (Services)

3. When consumers pay their accounts without filling in the correct reference numbers the following is processed in the municipality's records,

Dr Bank (Money received)

Cr Unknown deposits (deposit can't be traced)

4. The result is that the municipality has Unallocated Deposits increasing as well as the outstanding consumer accounts, (i.e. an increasing number of consumers in arrears although they have possibly paid). This means our debtors maybe misstated together with creditors/liabilities.
5. The municipality normally requests the bank to provide the additional information to allocate the amounts where possible. Usually the municipality still can't allocate the money and most of the money has been in the Unallocated Deposits account for a some time.
6. Deposits that remain unallocated and not claimed within a three (3) year period of time will be recognized as surplus revenue through the statement of financial performance because of the following:
7. GRAP 1 (Presentation of Financial Statements) par. 21 states that financial statements shall present fairly the financial position, financial performance and cash flow of an entity. Fair presentation requires the faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the framework for the preparation and presentation of financial statements.
8. Therefore, the definition of liability should be applied to ensure that the policy is consistent with the reporting framework for the municipality.
9. Liabilities are present obligations of the municipality arising from past events, the settlement of which is expected to result in an outflow from the municipality resources embodying economic benefits or service potential.
10. In this case municipality will either refund the consumers or allocate the amount to consumer account which will result in decrease in debtors (Assets).
11. Recognition criteria state that it should be probable that economic benefit will flow out of the municipality.

12. The municipality has determined that based on past experience and based on good practice that deposits over a period of three (3) years won't be queried by the consumers or be refunded

4. PURPOSE

1. To ensure that every receipt or deposit into the municipality's bank account is recognised or identified to reflect the substance of each transaction and to ensure the municipality maintains a sound accounting system.
2. To provide a framework on how to deal with unknown deposits or unclaimed monies in the Municipality's Primary Bank Account.
3. To reduce the liability of the municipality (in cases where there are material amounts relating to unidentified deposits).
4. To provide guidelines to identify unidentified deposits in the municipal primary bank account.

5. Unallocated deposits: **Municipal Bank Account Deposits, Direct Transfers (Direct Payments) and Electronic Banking**

1. Problem Statement: 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.
2. Process to counter the problem statement shall unfold as follows:
 - (a) 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.
 - (b) Process these credits by capturing to the respective votes on the system.

- (c) Identify full details of these credits timely to avoid having to account for these credits in the Unallocated Deposit Account;
- (d) Record all unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up; and
- (e) Balance the unidentified receipts register to the Unallocated Deposit Account in the general ledger on a monthly basis.

6. Receipts and Clearing of Accounts

1. Problem statement: The payee cannot be identified when there is no or wrong reference against the receipt when it appears on the bank statement.
2. Process to counter the problem statement shall unfold as follows:
 - (a) All receipts must be correctly allocated to the relevant debtors account and furthermore the amount must be correctly allocated to the correct services paid for.
 - (b) These receipts have to be identified and captured into the receipting system to ensure that debtors' accounts are credited.
 - (c) Direct deposits/bank transfers to the municipality's bank account must be accompanied by identification (reference) of the party making the deposit/transfer.

7. REGISTER OF UNALLOCATED DEPOSITS

1. After all processes to identify the Unallocated Deposits have been exhausted and the period as mentioned in this policy has expired, all unclaimed and/or unallocated deposits will be receipted in a register kept by the municipality.
2. The register will be maintained and updated regularly and be kept for a period of three (3) years.

3. After the unclaimed and/or unallocated monies have been deposited in the register the rightful owner thereof can claim the money within a period of three (3) years from date the money was deposited or become unclaimed subject to original documentary proof being provided by the claimant/customer of the money.
4. The value of unclaimed monies and/or unallocated direct deposits will be recognized as a liability in the financial statements of the municipality.

8. PROCEDURES REGARDING UNIDENTIFIED RECEIPTS

1. Any unknown receipts will be temporarily posted to the Creditors Account - 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.
2. Unallocated deposits in the Unallocated Deposit Account should be traced as to its origin, the details of the depositor, and journalised 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.
3. When deposits are received without adequate reference number / supporting documentation or explanation, the amounts are posted to the Unallocated Deposit Account, and it is then the responsibility of Municipal Employees to investigate and clear each item (as far as information/supporting documentation is available) and the following procedures are followed:
 - (a) All unidentified credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount and followed up.
 - (b) All Unidentified Credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount and followed up.

- (c) Balance the unidentified receipts register to the Unallocated Deposit Account in the General ledger monthly.
 - (d) These accounts should be monitored and reconciled monthly. It should be manageable to reconcile and keep these accounts up to date each month, especially after all long outstanding items have been cleared and correctly allocated.
4. Should unclaimed money/deposits not be claimed within the period of three (3) years, the monies will be written off from the register and be receipted as revenue in that financial year. The following process must be followed before any monies are receipted as revenue:
- (a) Placement of an advert in the media in terms of section 21(1)(a) and section 21(1)(b) of the Municipal Systems Act, 32 of 2000 that it will lie open for public inspection giving notice in this regard;
 - (b) such Register of Unallocated Deposits must lie open for inspection for a period of one (1) month from the date of publication;
 - (c) the Register will be made available for inspection at the main municipal buildings / municipal offices and/or the municipality's website;
 - (d) Annually [or at least every second year], the municipality must run an advert in the newspaper requesting consumers to come and claim their money.
5. After a period of 3 (three years) when no claims are made or the origin of the payment is still unknown / unidentified [the Municipal Manager has complied with the contents and procedures entailed in this policy], the unknown receipt as posted in the Unallocated Deposit Account will be journalised to the Sundries Revenue Account in the current period.

9. REVIEW

1. This policy will be reviewed as follows: annually (should the need arise for review) or when there is change in legislation (which directly affects the implementation of this policy) or

when there is a change necessitated by the generally recognised accounting practice or when the operating requirements of the municipality changes.

10. EFFECTIVE DATE

1. The revised policy shall be applicable for Annual Financial Statements periods commencing 01 July 2022 onwards.

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