



MARULENG MUNICIPALITY

UNKNOWN DEPOSITS POLICY

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1. DEFINITIONS

"Council" means a municipal Council established in terms of 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:

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.

"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 Maruleng Municipality established in terms of section 155 of the Constitution.

"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

Unclaimed monies are a challenge faced by the municipality where monies are deposited into the municipal primary bank account or payable which cannot be identified nor are claimed by any creditor of the municipality. Monies are unclaimed for various reasons and commonly arise amongst other things from the following:

- Monies deposited into the municipal primary bank account without any reference or documentary proof.
- Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
- Creditors/consumers are unaware of their legal right to the monies.
- Creditors/consumers direct deposits are untraceable.
- Deposits paid for utilization of facilities not claimed by the customer.

3. OBJECTIVES OF THE POLICY

The objectives of the policy are:

- To provide a framework on how to deal with unknown or unclaimed monies in the municipal bank account(s).
- To reduce the liability of the municipality.
- To provide guidelines to identify unknown monies in the municipal bank accounts.
- To provide guidance on accounting treatment of long unclaimed funds

4. BACKGROUND

Maruleng Municipality renders municipal services and consumers pay their accounts either at the cashiers, electronic transfer or over the counter deposits at banks.

When services are paid for, some consumers do not fill in their account numbers (reference) for ease identification and do not document their contact details. As a result the municipality has difficulty in allocating those deposits to relevant consumer accounts.

Firstly during billing the following transactions are processed correctly.

Dr Debtors (Consumer account) and Cr Revenue (Services)

When consumers pay their accounts without filling in the correct reference numbers the following is processed in the municipality's records, after concerted effort by the Municipality to locate the depositor's details.

Dr Bank (Money received) and Cr Unknown deposits (can't be traced)

The result is that the municipality has unknown deposits increasing as well as the outstanding consumer accounts, i.e. an increasing number of consumers is in arrears although they have paid. This means our debtors are overstated together with creditors/liabilities. The municipality normally requests the bank to provide the additional information to allocate the amounts. Usually the municipality still can't allocate the money and most of the money has been in the unknown/ unallocated deposits account for a long time.

Deposits that remain unallocated and not claimed within a specified period of time will be written off to accumulated surplus because of the following;

- 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.

Therefore the definition of liability should be applied to ensure that the policy is consistent with the reporting framework for the municipality

- 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;

In this case municipality will either refund the consumers or allocate the amount to consumer account which will result in decrease in debtors (Assets).

- Recognition criteria state that it should be probable that economic benefit will flow out of the municipality.

The municipality has determined that based on past experience and based on good practice that deposits over a period 2 years won't be queried by the consumers or be refunded.

5. LEGISLATIVE FRAMEWORK

Local Government Municipal Finance Act, Act 56 of 2003 and Standards of Generally Recognized Accounting Practice.

6. IDENTIFICATION OF UNCLAIMED MONIES

An unclaimed direct deposit includes—

- Any amount of money legally paid into the municipal primary bank account without any reference

- Any amount of money legally payable to a creditor and that is not claimed or refunded within a period of three (3) months.
- Any amount of money legally paid by a customer as security for municipal services for the use of facilities which is not claimed within a period of three (3) months after they are due.
- Any amount of money legally paid by a customer as a deposit for the processing of building plans which is not claimed within a specified period after it is due.

7. REGISTER OF UNCLAIMED MONEY

- After all reasonable processes are exhausted to identify the unallocated monies and the period as mentioned in paragraph 4 of two years has expired all unclaimed monies will be compiled.
- The register will be maintained and updated regularly and be kept for a period of five (5) years.
- After the unclaimed monies are deposited in the register any person can claim the monies within a period of five (5) years from the date the monies were deposited or become unclaimed subject to that documentary proof is provided by the cashier to claim the monies.
- Money which is over two (2) years will be written off based on this policy and amount written off will form part of reporting to council on annual basis.
- Annually the municipality must run an advert in the local newspaper requesting consumers to come and claim their funds.

8. UNCLAIMED MONEY TO BE TRANSFERRED TO ACCUMMULATED SURPLUS

The following procedure will be followed prior to write off of unclaimed deposits:

- 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 on a monthly basis;
- All unidentified credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount and followed up;
- Should unclaimed monies not be claimed within a period of two (2) years the monies will be written off from the register to accumulated surplus; and,
- The following process must be followed before any monies are receipted to accumulated surplus:
 - ✓ The register will be advertised in the media in terms of section 21A of the Systems Act, Act 32 of 2000 that it will lie open for public inspection.
 - ✓ Such register must lie open for a period of two (2) months.

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- ✓ The register will be made available for inspection at the main municipal buildings.
- ✓ The prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor.
- ✓ After the two (2) months period a report will be submitted to Council on the unclaimed monies to be written off from the register and be transferred to accumulated surplus.

9. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation, reporting framework and the operating requirements of the municipality.

10. SHORT TITLE

This policy shall be called the **Unclaimed Deposits Policy of the Maruleng Municipality.**

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