

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:

- 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 Govan Mbeki Municipality established in terms of section 155 of the Constitution.

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 customer.

3. OBJECTIVE 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 reduce the liability of the municipality.
- To provide guidelines to identify unknown monies in the municipal bank account.

4. BACKGROUND

Govan Mbeki Municipality render services and consumers pay their account either on the cashiers, electronic transfer or over the counter deposits.

When services are paid over the counter at the banks, consumers do not document their account number (reference) for easily identification and do not document their contact details. Therefore the municipality had difficulty in allocating those deposits to relevant consumer accounts.

Firstly during billing the following transactions are been processed correctly:

Dr Debtors (Consumer Account)
 Cr Revenue (Services)

When consumer pays their accounts the following is been processed in the municipality records:

Dr Bank (Money Received)
 Cr Debtor (Consumer Account)
 Cr Unknown Deposits (Can't be traced)

Therefore as the result we4 have unknown deposits increasing and requested bank to provide information to allocate the amounts. We still can't allocate the money and most of the money has been in the account for long time.

As stated in paragraph 6, deposits with certain period of time not claimed or allocated should be written off to accumulated surplus because of the following:

- GRAP 1 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 states* that it should be probable that economic benefit will flow out of the municipality.
 - As municipality we determined based on past experience and based on good practice that deposits over period of five 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 Recognised Accounting Practice.

6. IDENTIFICATION OF UNCLAIMED MONIES

- An unclaimed direct deposit is any amount of money legally paid into the municipal primary bank account without any reference of documentary proof on how the monies should be allocated and that remains unclaimed or unallocated.
- Unclaimed monies are any amount of money legally payable to a creditor and that are not claimed or banked within a period of three (3) months.
- An unclaimed deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which are not claimed within a period of three (3) months after they are due.

7. REGISTER OF UNCLAIMED MONEY

- After all process are exhausted to identify the unallocated monies and the period as mentioned in paragraph three of five years has expired all unclaimed monies will be compiled. (In the vote for suspense accounts)
- 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 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 five (5) years will be written off based on this policy and amount written off will form part of reporting to council on annual basis.

8. UNCLAIMED MONEY TO BE PAID AS PUBLIC REVENUE

- Should unclaimed monies not be claimed within a period of five (5) years the monies will be written off from the register to accumulated surplus.
- The following process must be followed before any monies are receipted in 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 four (4) months.
 - The register will be made available for inspection of 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 four (4) months period a report will be submitted to Council on the unclaimed monies to be written off from the register and be transfer 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 Govan Mbeki Municipality.

Signed by the Municipal Manager as per resolution **A23/05/2016**:

Mr. M.F. Mahlangu
Municipal Manager

Date