



UNKNOWN DEPOSIT POLICY

2024/25

FINANCIAL PERIOD

1. 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.
- Deposits paid into a Municipal Consumer account (Incorrect Reference used)

2. OBJECTIVE OF THE POLICY

The objectives of this Policy is 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.

3. BACKGROUND

Ba-Phalaborwa Local 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 we 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.

4. DIRECT BANK PAYMENTS

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

5. DEPOSIT AND CLEARING OF ACCOUNTS

- All deposits must be correctly allocated to the relevant debtors account and furthermore amounts 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 have to be identified and captured into the receipting system to ensure that debtor's accounts are credited.
- Direct deposits / bank transfers to the municipality's bank account(s) have to be accompanied by identification (reference) of the party making the deposit / transfer.

6. UNCLAIMED MONEY TO BE PAID AS PUBLIC REVENUE

Any unidentified deposit(s) will temporarily be posted to the unknown deposit vote. These amounts must be traced to the deposit(s) or remittance(s) and must be followed up by contacting the payee or bank where applicable, to verify for what or from whom the payment received is from.

Unallocated deposit(s) in the unallocated deposit account or vote should be traced as to its origin, the details of the depositor and be journalised to the correct account. Debtors or rate-payers should be notified and requested to include account numbers as references when paying either by deposit slips or internet banking to ensure that unidentified deposit(s) reduces.

When deposit(s) are received without adequate supporting documentation (remittance) or explanation, the amounts are posted to the unallocated/unknown deposit account or vote and it is the responsibility of the employee in charge of such 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 unknown / unallocated deposits
- Balance the unidentified / unknown deposit(s) register to the unallocated deposit account or vote in the general ledger on a monthly basis

These accounts should be monitored and reconciled on a monthly basis. 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.

After a period of 6 (six) months when no claims are made or the origin of the payment is still unknown / unidentified, the unknown deposit(s) as posted in the unknown / unallocated deposit account or vote will be cleared against Other Revenue Vote