

# UNALLOCATED RECEIPTS POLICY

## MOSES KOTANE LOCAL MUNICIPALITY

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## POLICY ON UNALLOCATED RECEIPTS AND DEPOSITS

### 1. PURPOSE

The purpose of this policy is to establish a framework for managing unallocated receipts and deposits within Moses Kotane Local Municipality to ensure proper financial management, accountability, and transparency in line with applicable legislation.

### 2. SCOPE

This policy applies to all municipal departments responsible for revenue collection, financial administration, and record-keeping. It covers all payments received by the municipality that cannot be immediately identified or allocated to a specific account.

### 3. LEGISLATIVE FRAMEWORK

This policy is developed in accordance with the following legislation:

- The Municipal Finance Management Act (MFMA), Act No. 56 of 2003
- The Municipal Systems Act, Act No. 32 of 2000

In terms of Section 64 (2) (e) 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;
- iii. accounts for receipts of revenue;”

- Generally, Recognised Accounting Practice
- Treasury Regulations and Circulars
- Other relevant financial policies of the municipality

### 4. DEFINITIONS

1.” Unallocated Receipts” Payments received by the municipality that cannot be immediately matched to a specific account or debtor.

2.” Unallocated Deposits” Funds received and deposited into the municipal bank account but lacking sufficient information to allocate them correctly.

3.” Revenue Unit” The department responsible for revenue collection and financial administration.

4.” Treasury Department” The municipal unit responsible for financial oversight and reconciliation of accounts.

5. “Council” means a municipal Council established in section 18 of the Municipal Structures Act and referred to

in section 157(1) of the Constitution.

6. “creditor” means a person to whom money is owed to by the municipality.

7. “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.

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

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

10. “municipality” means the Tswelopele Local Municipality established in terms of section 155 of the Constitution.

11. “unallocated deposits” means deposits made by consumers which remains unallocated to the consumer’s account due to lack of proper references or documentation.

## **5. INTRODUCTION**

### **5.1 Identification and Recording**

All unallocated receipts and deposits must be recorded in a separate ledger under the "Unallocated Receipts" account.

- The Revenue Unit must ensure that each transaction is properly logged, including date, amount, payer details (if available), and reference numbers.

### **5.2 Investigation and Resolution**

- The Revenue Unit must conduct a thorough investigation within 30 days of receipt to identify the correct beneficiary.

- Contact may be made with the payer, relevant municipal departments, or financial institutions to obtain missing information.

- If allocation remains unclear after 30 days, the deposit should be classified as an unidentified receipt and reviewed monthly.

### **5.3 Communication with Payers**

- If the payer is identifiable but the allocation remains unclear, the Revenue Unit must attempt to contact them via email, telephone, or written communication.

- Payers must be required to provide proof of payment, payment reference details, or any supporting documents for identification.

Money is unclaimed for various reasons and commonly arise amongst other things from the following:

- a) Money deposited into the municipal primary bank account without any reference or documentary proof.
- b) Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
- c) Creditors/consumers are unaware of their legal right to the monies.
- d) Cannot be identified and allocated to an account or vote. e) Deposits paid for utilization of facilities not claimed by customer.

#### **5.4 Reconciliation and Reporting**

- Monthly reconciliations of the unallocated receipts account must be conducted by the Treasury Department.
- A report detailing outstanding unallocated receipts and resolutions must be presented to the Chief Financial Officer (CFO) and relevant committees.

#### **6. OBJECTIVES OF THE POLICY**

1. The objectives of the Unclaimed Deposits policy are to:
  - a. Ensure correct recognition or identification of each transaction in order to reflect the substance of each transaction and to ensure the municipality maintains a sound accounting system.
  - b. To provide a framework on how to deal with unknown deposits or unclaimed monies in the Municipality's Primary Bank Account.
  - c. To reduce the liability of the municipality (in cases where there material amounts relating to unidentified deposits).
  - d. To provide guidelines to identify unidentified deposits in the municipal primary bank account.

#### **7. BACKGROUND**

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.
  - 1.1. Firstly, during billing the following transactions are processed correctly.

Dr Debtors (Consumer account) Cr Revenue (Services)

1.2 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

2. The result is that the municipality has unknown (unallocated) deposits increasing as well as the outstanding consumer accounts, (i.e. an increasing number of consumers in arrears although they have paid). This means our debtors maybe mistated together with creditors/liabilities.

2.1. 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 unknown / unallocated deposits account for a long time. 2.2

Deposits that remain unallocated and not claimed within a three (3) year period of time will be written off to accumulated surplus because of the following;

2.3. 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.

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

2.5. 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.

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

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

2.8. 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

## **8. IDENTIFICATION OF UNCLAIMED MONIES**

1. Unclaimed Direct Deposit is any amount of money legally paid into the municipal primary bank account (usually for the services rendered by the municipality) without any reference or documentary proof on how the money should be allocated and that remains unclaimed for a period of three (3) months.

2. Unclaimed Deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which have not been claimed within a period of three (3) months.

3. Unclaimed Moneys are any amounts of money legally payable to a creditor and that have not been claimed or banked within a period of three (3) months.

## **9. 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.

## **10. UNCLAIMED MONEY TO BE RECOGNISED AS OTHER REVENUE**

1. Any Unknown Deposits will be temporarily posted to the Cash Suspense Account (or an account of similar nature and description). 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 from whom the payment was received. of 2. Unallocated Deposits in the Cash Suspense Account should be traced as to its origin, the details the Depositor and journalised to the correct accounts. Debtors/Ratepayers/Customers 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 or supporting documentation or explanation, the amounts are posted to the Cash Suspense Account. It is 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; and
- b. b. Balance the unidentified receipts register to the cash suspense account in the General Ledger on a monthly basis.

2. 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 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 the municipality's website;
- d) the Prescribed Form must be completed with documentary proof should any money be claimed by a Customer or Creditor; and
- e) after the one (1) month publication period of inspection, a report will be submitted to Council for notification on the Unclaimed Money/Deposits to be written off from the register and be transferred to other revenue.
- f) At any given time when the Municipal Manager has complied with the contents and procedures entailed in this policy, the Allocated Deposits may be transferred from the Suspense Account to Revenue (given that Council would have approved this policy) and a notification report shall be sent to Council at a reasonable period thereafter.
- g) Every two-years the municipality must run an advert in the newspaper requesting consumers to come and claim their money.

## **11. REVIEW**

1. This policy will be reviewed as follows:

- a. Annually.
- b. when there is change in legislation (which directly affects the implementation of this policy).
- c. When there is a change necessitated by the generally recognised accounting practice.
- d. when the operating requirements of the municipality changes.

## **12. SHORT TITLE AND COMMENCEMENT**

1. This policy shall be called "Moses Kotane Local Municipality Unallocated Receipt Policy" and shall commence from the date of approval or date of amendment by Municipal Council.