LEKWA-TEEMANE LOCAL MUNICIPALITY

UNCLAIMED MONIES POLICY 2025/26

Contents

1. DEFINITIONS

1.1 "**Cash Suspense Account**" means an account used temporarily to carry doubtful entries and discrepancies and used temporarily to hold cash transactions that cannot be immediately classified or assigned to a specific account pending their analysis and permanent classification.

1.2 "**Council**" means a municipal council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

1.3 "**Creditor**" means a person to whom money is owed to by the municipality.

1.4 "**Council**" means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

1.5 "**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.

1.6 "**Liability**" means a present obligation of an entity arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

1.7 "**Municipality**" means the Lekwa -Teemane Local Municipality established in terms of
section 155 of the Constitution.

1.8 **"Primary bank account"** means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

1.9 "**Register**" means the official register kept to receipt all unclaimed deposits.

1.10 "**Revenue Division**" The department responsible for revenue collection and financial administration.

1.11 "**Treasury Department**" The municipal unit responsible for financial oversight and reconciliation of accounts.

1.12 “**Unallocated deposits**” means deposits made by consumers which remain unallocated to the consumer’s account due to lack of proper references or documentation.

1.13 ”**Unallocated Receipts**” Payments received by the Municipality that cannot be immediately matched to a specific account or debtor.

1.14 “**Unclaimed monies**” means:

(a) Unclaimed/Unknown/Unidentifiable deposits into the municipal bank accounts

(b) Unclaimed retention on projects

(c) Unclaimed deposits for facilities and building/kerb deposits

(d) Unclaimed surplus cash received by municipal cashiers

(e) Unclaimed credit balances on inactive debtor accounts (consumer and sundry)

2. PURPOSE AND SCOPE

2.1 The purpose and objectives of this policy are as follows:

2.1.1 To establish a framework for managing unallocated and/or unclaimed receipts, monies and/or deposits within the Municipality’s Primary bank account;

2.1.2 To 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;

2.1.3 To ensure proper financial management, accountability, and transparency in line with applicable legislation;

2.1.4 To reduce the liability of the municipality; and

2.1.5 To provide guidelines to identify unidentified deposits in the Municipality’s Primary bank account.

2.2 This policy applies to all municipal departments responsible for revenue collection, financial administration, and record-keeping. The policy relates to all payments received by the Municipality but cannot be immediately identified or allocated to a specific account.

3. INTRODUCTION AND BACKGROUND

3.1 Lekwa Teemane Local Municipality receives money from various Customers for various reasons on daily basis. Consumers, individuals or businesses have the option to pay for municipal services or other services rendered by the Municipality by way of an electronic transfer or deposit at the bank, provided that such payments are correctly referenced. Through such correct and detailed references, the Municipality can automatically allocate the payments into the relevant Customer account.

3.2 Throughout the years, however, the Municipality has faced a challenge whereby Customers make deposits or deposit monies into the Municipality's Primary bank account, which deposits reflect on the municipal bank statements but are not accompanied by correct account numbers (as a reference) for identification and do not document their contact details sufficient to identify the Customers that have made the deposits.

3.3 In the absence of the correct identification details such as reference numbers or other identifiable mark, these deposits become unclaimed monies on one hand and unallocated deposits and receipts on the other due to lack of sufficient identification or claims by or from either or both the Municipality and Consumers.

3.4 Monies that remain unclaimed are generally due to various reasons and commonly arise amongst other things from the following:

3.4.1 Monies deposited into the Municipality's Primary bank account without any reference or documentary proof;

3.4.2 Amounts/deposits payable to consumers or creditors which were either not claimed or banked;

3.4.3 Creditors/consumers are unaware of their legal right to the monies;

3.4.4 Cannot be identified and allocated to an account or vote;

3.4.5 Deposits paid for utilization of facilities not claimed by customer.

3.5 Based on this policy and generally accepted accounting practice, deposits can only be received against a Customer's account when proof of deposit can be furnished to the Revenue Division by the person that made the deposit.

4. LEGISLATIVE FRAMEWORK

4.1 This policy is developed and is implemented in accordance with the following legislation:

4.1.1 Local Government: Municipal Finance Management Act 56 of 2003;

4.1.2 Local Government: Municipal Systems Act 32 of 2000;

4.1.3 Prescription Act 68 of 1969;

4.1.4 Generally Recognised Accounting Practice ("GRAP");

4.1.5 National Treasury Regulations, Circulars and Practice Notes; and

4.1.6 Other relevant and applicable financial polices of the municipality.

4.2 Further, the Municipality recognises that in accordance with section 64 (2)(e) of the Local Government: Municipal Finance Management Act that "*the Municipality has and maintains a management, accounting and information system which:*

4.2.1 *Recognises revenue when it is earned;*

4.2.2 *Accounts for debtors; and*

4.2.3 *Accounts for receipts of revenue*.

5. IDENTIFICATION OF UNCLAIMED MONIES

5.1 An unclaimed direct deposit is any amount of money legally paid into the Municipality's Primary bank account without any reference or documentary proof on how the monies should be allocated, which remain unclaimed for a period of three (3) months.

5.2 Unclaimed monies 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.

5.3 An unclaimed deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which has not been claimed within a period of three (3) months.

5.4 Unallocated deposits should be traced as to its origin, the details of the depositor and journalized to the correct accounts. Debtors/ratepayers are notified and requested to include account numbers on deposit slips when paying by internal banking and specific reference when payment is made ensure that the unidentified deposits reduce.

5.5 When deposits are received without adequate supporting documentation or references, the deposits must be posted to the Unallocated Revenue Account. It is the responsibility of employees to investigate and clear each item.

5.6 The costs of tracing unallocated deposits from the Municipality's Primary bank account shall be recovered from the Customer and the costs (bank charges) will be levied on the Customer's account.

6. ALLOCATION AND REFUNDS OF UNCLAIMED MONIES

6.1 All receipts that are identified by the Municipality in the ordinary course of business through the provision of valid proof of payment by the Customer will be allocated to the account to which they were intended by the client.

6.2 The minimum documentary proof which will be required for processing claims of unclaimed monies or claims for any receipts which have been paid in error to the Municipality will be as follows:

6.2.1 A certified ID copy for South African claimants and a certified Passport copy for non- South Africans claimants must be provided;

6.2.2 A letter of authority signed by an authorized signatory identifying an individual that will represent the organization for the refund application must be provided in a case of claims by organizations with full names of the authorized individual together with the identified individual's certified ID copy or certified Passport copy for non-South Africans must be submitted;

6.2.3 In a case of an organizational claim, copies of valid registration documents of the organization claiming the refund must also be provided;

6.2.4 A signed letter/affidavit/refund application form must be submitted requesting the refund;

6.2.5 Valid Original Proof of payment issued on the bank's letterhead, or the original receipt provided by the vendor must be submitted;

6.2.6 In exceptional instances where original receipts cannot be provided, an affidavit must be provided proving a detailed explanation of the circumstances that have led to the original receipt not being available;

6.2.7 Where applicable, a copy of the account/invoice that the claimant had intended to pay must also be submitted;

6.2.8 Refund payments will only be paid by Electronic Funds Transfer and as such the claimant must submit their valid banking details on the letterhead of their bank, bearing their name and surname, account number and branch details;

6.2.9 Proof of banking details required to process a refund is a valid and signed letter from the bank or a bank statement;

6.2.10 An affidavit will be required in instances where the claimant does not have an own bank account, and the money must be refunded to another bank account at their request;

6.2.11 A certified ID copy for South Africans and a certified Passport copy for non-South Africans must be provided for the person to whose bank account the payment must be paid into per clause 8.2(j) above; and

6.2.12 Other supporting documentation may be required in addition to the above at the discretion of the officials who are required to authorize refund payments.

6.3 If the payer is identifiable but the allocation remains unclear, the Revenue Division must attempt to contact them via email, telephone, or written communication. And be required to provide proof of payment, payment reference details, or any supporting documents for identification.

6.4 The Municipality reserves the right to deduct any amount due to the Municipality from the applicant for any debt owed to the Municipality from any refund that is payable in terms of this policy.

7. IDENTIFICATION OF UNCLAIMED MONIES

7.1 An unclaimed direct deposit is any amount of money legally paid into the municipal primary bank account without any reference or documentary proof on how the monies should be allocated and that remains unclaimed for a period of three (3) months.

7.2 Unclaimed monies 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.

7.3 An 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.

7.4 Unallocated deposits 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 reduce.

7.5 When deposits are received without adequate supporting documentation or explanation, the amounts are posted to the Unallocated Revenue Account it is the responsibility of employees to investigate and clear each item.

7.6 The costs of tracing unallocated deposit from the bank shall be recovered from the customer. The costs (bank charges) will be levied on the customer's account.

8. REGISTER OF UNCLAIMED MONEY

8.1 After all processes to identify the unallocated monies have been exhausted and the period as mentioned in paragraph 4 has expired all unclaimed and/or unallocated monies will be receipted in a register kept by the municipality.

8.2 The register will be maintained and updated regularly and be kept for a period of five (5) years.

8.3 After the unclaimed and/or unallocated monies have been deposited in the register the rightful owner thereof can claim the monies within a period of five (5) years from date the monies were deposited or become unclaimed subject to documentary proof being provided by the claimant of the monies.

8.4 The value of unclaimed monies and/or unallocated direct deposits will be recognized as a liability in the financial statements of the municipality.

9. UNCLAIMED MONEY TO BE PAID AS PUBLIC REVENUE

9.1 Any Unallocated Deposits shall 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.

9.2 Unallocated Deposits in the Cash Suspense Account should be traced to their origin, the details the Depositor and journalised to the correct accounts.

9.3 Municipal Employees within the Revenue Division shall investigate and clear each item (as far as information/supporting documentation is available) and ensure that:

9.3.1 All Unidentified Credits (receipts) shall be recorded in a suitable register or separate ledger to facilitate future claims against the amount and followed up; and

9.3.2 Balance the unidentified receipts register to the Cash Suspense Account in the General Ledger on a monthly basis. Should unclaimed monies not be claimed within the period of three (3) years, the monies will be written off from the register of unclaimed monies and be receipted as revenue in that financial year.

9.4 The following process must be followed before any monies are receipted as revenue:

(i) The register shall be advertised in the media in terms of section 21 (1)(a), (b) and 21A of the Municipal Systems Act, Act 32 of 2000 that it will lie open for public inspection and give notice in this regard;

(ii) Such register must lie open for inspection for a further period of three (3) months from the date of publication;

(iii) The register will be made available for inspection at the main municipal building/offices and Municipality's website;

(iv) The prescribed form must be completed with documentary proof should any monies be claimed by a Customer or Creditor;

(v) After the three (3) months inspection period, monthly reconciliations of the unallocated receipts account must be conducted by the Treasury Department and a report detailing outstanding unallocated receipts and resolutions must be presented to the Chief Financial Officer (CFO) and relevant committees;

(vi) A report will be submitted to Council for notification on the unclaimed monies/deposits to be written off from the register and be transferred to general or other revenue;

(vii) 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; and

(viii) The Municipality must run an advert in the newspaper every two (2) years and request consumers to come and claim their money.

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

9.5.1 Par. 21 of GRAP 1 (Presentation of Financial Statements) requires 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;

9.5.2 The definition of "liability" should be applied to ensure that the policy is consistent with the reporting framework for the Municipality;

9.5.3 In this case the Municipality will either refund the Customer or allocate the amount to the Customer account which will result in the decrease in debtors (Assets), and economic benefit flow out of the municipality.

10. <u>REVIEW</u>

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

11. <u>SHORT TITLE</u>

This policy shall be called the Unclaimed Deposits Policy of the Lekwa Teemane Local Municipality