

UNCLAIMED MONIES POLICY



Dr NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY

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1. DEFINITIONS

"Council" means the Council of Dr Nkosazana Dlamini Zuma 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.

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

"Municipality" means the *Dr Nkosazana Dlamini Zuma Municipality* established in terms of section 155 of the Constitution.

"Unallocated deposits" means deposits to the municipality's primary bank account which remains unallocated to the correct account due to inadequate detail recorded by the depositor or transferor of funds.

2. INTRODUCTION

Unclaimed deposits are a challenge faced by the municipality where monies are deposited or transferred into the municipal primary bank account and which cannot be identified. Monies are unclaimed for various reasons including the following:

- Monies deposited or transferred into the municipal primary bank account without adequate identification of the payer or purpose of the transaction.
- Amounts payable to creditors (primarily retentions withheld from contractors) which are not claimed.
- Deposits paid for utilization/hire of facilities not claimed by the hirer.

3. OBJECTIVES OF THE POLICY

The objectives of the policy are:

- To provide a framework on how to deal with unidentified receipts, deposits and transfers to the municipality's primary bank account.
- To provide a framework on how to deal with retentions withheld from contractors for projects which remain unclaimed for more than six months

4. BACKGROUND

Dr Nkosazana Dlamini Zuma Municipality levies property rates, traffic fines and renders municipal services including licencing and permits. In addition the municipality receives various grants from national and provincial government and retains a percentage of the value of construction and similar projects (retentions).

Ratepayers and consumers

Payments are made at the cashiers, by electronic transfer or over the counter deposits at banks, the Post Office or supermarkets.

When payments are made certain, payers do not provide sufficient documentation or in the case of deposits/transfers the correct reference (eg consumer account number).

As a result the municipality has difficulty in allocating those payments/deposits to the correct vote and in the case of consumer accounts and similar the correct consumer account in the debtors system or alternative record such as the traffic fines register .

Institutions

In addition to unidentified deposits from consumers the municipality also experiences unidentified/unknown deposits from institutions such as provincial/national departments. These are not so frequent because of the controls generally existing at institutions however, due to the high value of such transfers they require mention in this policy to ensure they are promptly dealt with.

Retentions

Another aspect requiring inclusion in this policy are retention monies withheld in terms of the contracts pertaining to construction and similar projects. The need to include retentions in this policy is the fact that they are often accumulated for various reasons, mainly:

- the failure of project managers to inform finance that the projects have been completed and that the retention should be paid;
- project managers failing to inform finance that retentions should be forfeited due to

poor quality work;

and,

-incorrect accounting whereby retentions are paid out but debited direct to a project vote thereby inflating the project cost by the retention amount.

5. LEGISLATIVE FRAMEWORK

Local Government Municipal Finance Act, Act 56 of 2003.

6. TREATMENT OF UNCLAIMED MONIES

Notice of existence of unclaimed monies and intention to transfer to accumulated surplus

Annually the Chief Financial Officer must advertise in a local newspaper the existence of unclaimed monies and the intention to transfer to accumulated surplus in the event that bona fide claims are not received.

Notwithstanding the transfer to accumulated surplus any person having a bona fide claim is still entitled to make a subsequent claim **on presentation of original documentation to prove the claim.**

Ratepayers and consumers

Unidentified deposits/transfers by this category of payer are generally high in volume but small in amount. In addition to efforts by finance staff to identify the nature of the payment or the identity of the payer, statements of account are posted monthly to ratepayers and consumers who have the opportunity to check their accounts and query anomalies. Queries from this category of payer must be dealt with promptly.

After placement of the advertisement relating to the “existence of unclaimed monies and the intention to transfer to accumulated surplus” and all reasonable steps to identify the payer have been exhausted, unclaimed receipts and deposits must be transferred to accumulated surplus. This transfer must be done with the written approval of the Chief Financial Officer who must report such transfers to Council within 30 days of the transfer occurring. This report to council must set out in detail the amounts and the reasonable steps taken to identify the payer. Steps to identify the payer must include contacting the bank where the deposit/transfer was made.

Institutions

In view of the internal controls exercised by institutions such as national and provincial

departments the approach to unidentified deposits/transfers must include directly contacting the bank immediately such deposits/transfers are encountered. Once the institution is identified the institution must be contacted immediately to establish the nature and purpose of the deposit/transfer in order to properly account for the transaction.

Retentions

A suitable retentions register must be in place. In addition to the retention amount this register must include the name of project, name of contractor and date of the retention as a minimum. The register must be reconciled to the general ledger on a monthly basis.

Long outstanding retentions must not be permitted to accumulate. As soon as a retention remains unpaid for more than six months it must be investigated to ensure it is dealt with appropriately the investigation must include follow up with the project manager on the status of a project and if the project is completed steps must be taken to enquire of the project manager the reason why the retention is still outstanding. As noted above this could be due to forfeiture in which case the retention must be transferred to revenue.

If there has been no forfeiture the possibility of a retention payment being processed to the project must be investigated to ensure it is corrected promptly.

7. 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.

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