

NDLAMBE LOCAL MUNICIPALITY



UNALLOCATED DEPOSITS AND INACTIVE DEBTORS ACCOUNTS WITH UNCLAIMED CREDIT BALANCES POLICY 2026/2027

REVIEWED: 02/03/2025
APPROVED BY COUNCIL:
COUNCIL RESOLUTION NO:

1. UNALLOCATED DEPOSITS

PURPOSE

- To set out procedures to ensure that every receipt or deposit into the municipality's bank account is recognised or identified in order to reflect the substance of each transaction
- To ensure that the municipality maintains a sound accounting system.
- To set out procedures to be followed should identification of deposits not be possible within a three year financial year period.

REVENUE MANAGEMENT

Revenue management involves all the procedures necessary to ensure that the income of the municipality is properly planned and fully accounted for, and that cash, once received, is safeguarded and banked promptly.

Section 64(2)(e) (**Revenue Management**) of the Municipal Finance Management Act, Act 56 of 2003 states that; "*The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system which:*

- (i) recognises revenue when it is earned;*
- (ii) accounts for debtors; and*
- (iii) accounts for receipts of revenue"*

MUNICIPAL BANK ACCOUNT DEPOSITS, DIRECT TRANSFERS (DIRECT PAYMENTS) AND ELECTRONIC BANKING

Problem statement

Direct payments such as direct deposits/bank transfers to the municipality's bank account are received without proper reference and the origin of the payment cannot always be allocated.

Process to counter the problem statement

- Identify all the direct credits on the bank statement, such as direct deposits by ratepayers, consumers and levy payers, subsidies and grants paid by National and Provincial Governments, interest on investments and miscellaneous credits.
- Process these credits by capturing to the respective segments or debtors accounts on the system.

- Identify full details of these credits timely to avoid having to account for these credits in the Unallocated Revenue Account;
- For any unidentified credits, preferably within one month of receipt of the amount, but not later than three months, request further details of the depositor from the municipal bank account holder and charge bank fees, in line with the council-approved tariff listing for such verifications, to the consumer account.
- Record all further unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up; and
- Balance the unidentified receipts register to the Unallocated Revenue Account in the general ledger on a monthly basis.

Receipts and Clearing of Accounts

Problem statement

The payee cannot be identified when there is no reference against the receipt when it appears on the bank statement.

Process to counter the problem statement

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

PROCEDURES REGARDING UNIDENTIFIED RECEIPTS

- Any unknown receipts will be temporarily posted to the Liability Account - Unallocated Revenue.
- 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 whom the payment was received.
- Unallocated deposits in the Unallocated Liability Account should be traced as to its origin, the details of the depositor, and journalised to the correct accounts.
- Follow ups be made with the bank on unallocated deposits within 3 months of receipt of the payment.

- Any bank charges as a result of transactional enquiries with the bank be charged to the consumer's account in line with Council approved tariffs.
- 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 reduces.
- When deposits are received without adequate supporting documentation or explanation, the amounts are posted to the Unallocated Revenue Account. It is then the responsibility of employees to investigate and attempt to clear each item. The following procedures are to be followed:
 1. All unidentified credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount.
 2. Follow ups be made with the Municipality bank account holder by sending a weekly list but within 3 months of receipt of the unallocated deposit amounts to the Bank in view of tracing the origin of the depositor or receiving contact details of the depositor.
 3. The Depositor be contacted and money be allocated to their accounts from the unallocated liability account.
 4. Bank charges as a result of transactional enquiries with the bank be charged to the consumer's account in line with council approved tariff
 5. The unidentified receipts register is to be balanced to the Unallocated Liability Account in the General ledger on a monthly basis.
 6. These accounts should be monitored and reconciled on a monthly basis.
 7. When no claims are made or the origin of the payment is still unknown/unidentified after a period of 3 (three) years, the unknown receipt as posted in the Unallocated Liability Account shall be journalized to the Sundries Revenue Account in the current period.
 8. Should provable claims be submitted to the municipality after the unknown receipt has been journalized to the Sundries Revenue Account in prior years, reallocations or refunds of deposits shall be debited to a Sundry Expenditure refund Account per 4. Above.

2. DEBTOR ACCOUNTS WITH UNCLAIMED CREDIT BALANCES (INACTIVE ACCOUNTS)

PURPOSE

- To establish procedures for the identification, review, and appropriate clearing of debtor accounts that reflect credit balances remaining unclaimed for a period exceeding three years.
- To reduce the liability of the municipality.
- To ensure accurate financial reporting, compliance with applicable legislation, and the effective management of municipal revenue.

Problem statement

Credit balances may arise on debtor accounts due to overpayments, duplicate payments, billing corrections, or adjustments and deposit reimbursements and results into administrative burden in maintaining dormant balances.

Process to counter the problem statement

- Identify all debtor accounts reflecting credit balances on a regular basis through system-generated reports.
- Review and verify the validity of each credit balance, ensuring that it is not the result of a billing or adjustment error or incorrect allocations.
- Transfer credit balances to any outstanding amounts related to the same debtor.
- Initiate processes to refund credit balances to the consumer.
- Maintain proper records and audit trails of all actions taken to resolve credit balances.
- Ensure regular reconciliation and monitoring of debtor accounts with credit balances to prevent long-outstanding items.

PROCEDURES FOR UNCLAIMED CREDIT BALANCES

- All credit balances on debtor accounts must be reviewed monthly and supported by a detailed age analysis.
- Reasonable steps must be taken to trace and notify the account holder, including:
 - Issuing notices on municipal accounts/statements;
 - Sending written communication where contact details are available; and
 - Attempting telephonic or electronic contact where possible.
- Where the debtor has other active municipal accounts, the credit balance may be transferred to settle any outstanding amounts.
- A register of all unclaimed credit balances must be maintained, detailing:
 - Account number;
 - Name of account holder;
 - Amount; and
 - Actions taken to resolve the balance.
- Credit balances must be reconciled to the general ledger on a monthly basis.
- Where a credit balance remains unclaimed for a period exceeding three (3) years:
 - The balance shall be transferred from the debtor account and recognised as revenue in the Sundry Revenue Account in the current financial period;

- If a valid claim is received after the credit balance has been transferred to revenue:
 - The claim must be verified; and
 - The amount shall be refunded or reallocated, and accounted for as a debit to a Sundry Expenditure refund Account.
 - All adjustments, transfers, and refunds must be properly authorised and supported by adequate documentation for audit purposes.

EFFECTIVE DATE

This policy shall be applicable to annual financial statement periods commencing on or after 1 July 2026.