

GREATER LETABA MUNICIPALITY



BANK AND CASH POLICY

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A. PURPOSE

- 1 The purpose of this policy is to set clear guidelines over the effective management and control over cash resources at the main and satellite offices and the depositing of such resources. The control over cash resources is of utmost importance due to the nature of the resource's susceptibility to theft and possible fraudulent transactions.

For the purpose of this policy, cash is defined as:

- Actual cash;
- Postal orders;
- Cheques;
- Electronic fund or payments/transfers;
- Direct deposits.

- 2 The Municipality must adhere to the relevant stipulations of the Municipal Finance Management Act (Sections 8, 9, 10, 11, 13, 65 and 81) and any other relevant legislation governing cash and cash resources.

B. DELEGATION OF AUTHORITY AND APPROVAL OF PAYMENTS

- 1 The management of the cash resources of the Municipality is the responsibility of the Municipal Manager in the capacity as Accounting Officer, who must, for the proper application of this policy, develop and implement an appropriate system of delegations that will both maximise administrative and operational efficiency and provide adequate checks and balances in the management of cash resources.
- 2 The Chief Financial Officer, as designated in writing by the Municipal Manager, must advise the Municipal Manager on the exercise of the powers and duties with regards to this policy and must assist the Municipal Manager in the administration of the cash resources and the bank accounts.
- 3 The Chief Financial Officer may not sub-delegate the duty to assist the Municipal Manager in the administration of the Municipality's cash resources and bank accounts.
- 4 The authority to withdraw money from the Municipality's bank accounts may only be given to the Chief Financial officer or any other delegated senior official as determined, in writing, by the Municipal Manager. A copy of the signed delegation letter must be kept by the delegated official.
- 5 No cash cheques may be issued by the Municipality;
- 6 The incumbents of the following posts are authorised to sign cheque and electronic transfer payments of the Municipality:
 - Municipal Manager;
 - Chief Financial Officer;
 - Delegated Assistant Director (Only when the Chief Financial Officer is not available)
- 7 Dual signatures are required for the approval of all cheque and electronic transfer payments;
- 8 Cheques and electric transfer payments must be issued in the name of the third party.
- 9 All cheques must be clearly marked "Not Transferable".
- 10 Each incumbent of a post responsible for the payment and authorisation of electronic transfer payments must have the required user IDs and passwords as required by the financial institution. These user IDs and passwords must not be familiar with third parties.
- 11 When a cheque is lost, stolen or damaged, an instruction to stop payment must immediately be issued to the financial institution. Once confirmation has been received that the payment was stopped, the transaction must be reversed and a new cheque issued and authorised.
- 12 Only Council may approve an overdraft facility with the Municipality's approved financial institution and such overdraft facility may not be for periods longer than 30 days.

C. SECURITY, ACCESS CONTROL AND DUE CARE

1. The Council should be properly insured against theft and fraudulent transactions regarding the cash funds kept on the premises of the Municipality.
2. Fidelity guarantee insurance should be taken out in respect of employees handling Municipal funds.
3. Cash on hand must be kept in a fireproof and lockable safe inside the cashier's area during periods that it is not under physical control of the cashier. Access to this safe must be limited to the cashier. The keys to the small safe inside the cashier's area should be controlled as follows:
 - Original key – Cashier;
 - Duplicate key – Accountant: Revenue.
4. In order to prevent unauthorised entry to the cashiers' area, all entrances leading to the area should at all times be locked and only the cash credit controller should be allowed access to this area to count and reconcile cash at the end of each working day. Keys for the doors giving access to the cashier's area must be controlled as follows:
 - Original key – Cashier;
 - Duplicate key – Assistant Director: Revenue.
5. Surplus funds not yet deposited, should be locked inside a money box and this money box should then be locked inside a small safe, situated inside the Municipality's big fireproof walk-in safe at the Traffic Department. In order to ensure effective segregations key control for this section are as follows:
 - Original money box key – Cash Credit Controller;
 - Duplicate money box key – Accountant: Revenue;
 - Original key for small safe inside big safe – Cash Credit Controller.
 - Duplicate key for the small safe inside the big safe – Assistant Director: Revenue;
 - Original key to the big safe – Director: Traffic Services;
 - Duplicate key to the big safe – Senior Cashier: Traffic Services.
6. Keys to the money box, small safe and big walk-in safe should be controlled via a key register. The responsibility for the maintaining and updating of the key register lies with the Assistant Director – Finance. Detail to be captured into the key register should inter alia include:
 - Area to which keys is giving access to;
 - Name of person responsible for the key;
 - Date that key was issues or returned;
 - Signature of person to whom key was issued;
 - Signature of the Director: Finance.
7. If the responsible person cannot be present, the keys that give access to the relevant area should be handed over in the presence of a witness and recorded accordingly on the handing over document and key register. The key register must be signed by all parties as well as Director: Finance.

- 8 Each functionary in the cash management process must do so with such judgement and care, under the prevailing circumstances, as a person of prudence, direction and intelligence would exercise in the management of his or her own affairs.
- 9 The Municipal Council is responsible for the total process of risk management over cash, as well as forming its own opinion on the effectiveness of the process.

D. PHYSICAL CONTROL OVER CASH

- 1 The cashier is responsible for the cash and the control thereof in his / her possession during the day. The cashier must ensure the following:
 - Cash received is properly counted before a receipt is issued;
 - Pre-numbered receipts are fully completed and a copy handed to the client;
 - Detail on the receipts are correctly captured to the financial system.
- 2 In accordance to the stipulations of the Municipal Finance Management Act no 56 of 2003 section 7(2) all money received by the Municipality should be deposited into its bank account promptly. Cash should therefore be deposited on a daily basis, at the financial institution as approved from time to time by Council.
- 3 Cash funds to be deposited should not be kept on the premises of the Municipality for a period longer than twenty-four hours (24), except for funds received on Friday afternoon or on a day before a public holiday, which should be deposited on the next working day.
- 4 At the end of each working day the cash credit controller should generate a cash day end run from the financial system, count the cash on hand and reconcile it to the total of the day end report.
- 5 Detail of the counting and reconciling function must be documented onto the day end cash reconciliation report, highlighting shortages / surpluses. The report must be signed by both the cashier and cash credit controller as proof of the reconciling function performed.
- 6 The day end cash reconciliation report together with system generated reports and daily stamped deposit slip must be attached together and filed in date order.
- 7 The cash credit controller is responsible for the cash from the time that the day end reconciliation is completed until the cash is collected by the appointed security company for depositing purposes.
- 10 The original receipt obtained when the cash is collected by the approved security company must also be attached to the day end reports.
- 11 The following officials should be present when cash is collected by the security company:
 - Cash credit controller;
 - Accountant: Revenue
- 10 The Director - Finance is responsible for cash flow management and to ensure that sufficient funds are available at all times to enable the Municipality to trade as a going concern.
- 11 The Municipal Manager as Accounting Officer, is overall responsible for the Municipality's funds, deposited as well as not yet deposited. She should therefore ensure that all cash controls are in place and are being adhered to. This function can be delegated to the Director – Finance.

E RECORDING OF TRANSACTIONS

- 1 All daily cash received transactions and payments made should be captured onto the Municipality's financial system on the day that the transaction occurred.
- 2 A pre-numbered computerised receipt should be generated in duplicate for each cash received transaction. Manual, pre-numbered receipts should be issued during periods that the computerised system is not operational. These manual receipts should be reconciled daily with the cash and captured onto the computer system the moment that the system is again operational.
- 3 The pre-numbered receipts that are generated, should be distributed as follows:
 - Original copy – To client
 - Second copy – Filed together with all day-end documentation.
- 4 The reconciliation between the manual receipts and the capturing thereof should be checked for completeness and accuracy by Accountant: Revenue on a daily basis.
- 5 Where a receipt is cancelled, the original receipt and all duplicates, together with reasons for the cancellation should be documented and be filed on the day file.
- 6 Cancelled receipts should be authorised by the Accountant: Revenue or delegated official before new receipts are issued.
- 7 A user identifying access control via usernames and passwords should control access to the cash receiving function on the Municipality's financial system. These passwords should only be known to the specific user and should be changed on a monthly basis. Only users with specific clearance should be able to access the Municipality's financial system and should be restricted to the functions for which they have clearance to perform.
- 8 The Assistant Director: Revenue should ensure that the cash suspense general ledger accounts are reconciled and cleared on a daily basis.
- 9 The Assistant Director: Revenue should on daily basis ensure that the amount of the deposit slip agrees to the total as deposited into the Municipality's bank account.
- 10 The Municipality should as far as possible refrain from accepting cheques as means of payments. Where it however does occur that a cheque is referred to drawer (RD), it should be accounted for as follows by the Accountant: Revenue:
 - Trace the origin of the payment and if in respect of a payment on a consumer account reverse the payment on the debtor and financial system. Also increases the balance of the consumer deposit held by the Municipality and disconnect Municipal services of the debtor until payment is received in full.
 - In respect of other receipts contact the client and request to replace the cheque by a cash payment. Create a sundry debtor account on the financial system and recover the cash against this account.
 - All RD cheques should be recorded in an RD cheque register and all future payments from such parties should be done in cash.
 - All expenses (service fees/bank charges) incurred for RD cheques must be paid for by the cheque owner. The amount should be debited to client's consumer account.

- 11 The Assistant Director: Revenue must scrutinise bank statements on a daily basis. Where unknown deposits are identified on the bank statements they should be allocated to and unknown deposit general ledger control account and followed up by the Credit control and Accountant: Revenue with 5 days from the date that the deposit appeared on the bank statements.

F CASH SHORTAGES AND SURPLUSES

- 1 The cashier's float should be checked and set aside from the other cash before commencing the balancing of the receipts for the day.
- 2 Cash shortages should be recovered from the cashiers on the day that the shortages are detected. Only in exceptional instances and on approval by the Director; Finance may shortages be recovered from the cashiers next salary. In such instances a sundry debtor account should be opened for the value of the shortage and the cashier must allow deduction of the shortage from his / her salary in writing.
- 3 All shortages in excess of R 500 must be investigated and disciplinary actions instituted where negligence or theft is identified.
- 4 Receipts should be issued in respect of unknown cash surpluses, if and when such surpluses are detected. Such surpluses should be separately disclosed in the general ledger.

G BANK RECONCILIATION

- 1 The books of account of the Municipality should be closed off on the last working day of the month.
- 2 The Chief Administration Officer: Auxiliary Services must perform a detailed bank reconciliation by the 7th day of each month or closest working day to the 7th day for each of the Municipality's bank accounts.
- 3 The Assistant Director – SCM & Auxiliary Services should review the monthly bank reconciliations for completeness and accuracy by the 10th day of each month or closest working day to the 10th day. The reconciliation should be signed as proof.
- 4 The Director – Finance should review and approve the monthly bank reconciliation for completeness, accuracy and that it reconciles to the relevant general ledger control accounts by the 13th day of each month or closest working day to the 13th day. The reconciliation should be signed as proof of the review and approval function performed.
- 5 Reconciling items, except outstanding cheques, should not appear on the bank reconciliation for more than one month. All reconciling items, except for outstanding cheques and deposits, should be cleared on the bank reconciliation that is prepared at each month-end.
- 6 Cheques outstanding for a period of six months or longer should be reversed on the financial system.
- 7 The Assistant Director: SCM and Auxiliary Services must file the monthly reviewed bank reconciliations in the month-end audit files.
- 8 The Director: Finance must report on monthly basis to the Municipal Manager and relevant committees on the cash flow position of the Municipality by the 20th day or closest working day to the 20th day.
- 9 The Director: Finance must report on monthly basis to the relevant committees and council on the cash flow position of the Municipality by the latest the last day of each month on the balances of the preceding month.

H IMPLEMENTATION AND REVIEW OF THE POLICY

- 1 The policy must be submitted to Council for approval and affective date will be the date when approved by Council.
- 2 It is the responsibility of the Municipal Manager and various Directors to bring the content of this policy to the attention of all parties concerned.
- 3 This policy must be reviewed on an annual basis and the revised and updated policy must be submitted to Council for approval.