

**BANK AND CASH
POLICY**



GREATER LETABA MUNICIPALITY

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PURPOSE

A.

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:

- Cash
- 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.

DELEGATION OF AUTHORITY AND APPROVAL OF PAYMENTS

B.

1 The management of the cash resources of the Municipality is the responsibility of the Accounting Officer 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 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 Accounting Officer, must advise the Accounting Officer on the exercise of the powers and duties with regards to this policy and must assist the Accounting Officer 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 Accounting Officer 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 Accounting Officer. A copy of the signed delegation letter must be kept by the delegated official.

5 The incumbents of the following posts are authorised to make electronic transfer payments

- Accounting Officer;
- Chief Financial Officer;
- Delegated Assistant Director

6 Dual signatures are required for the approval of all electronic transfer payments;

7 Electronic transfer payments must be issued in the name of the third party.

8 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.

9 Only Council may approve an overdraft facility with the Municipality's approved financial institution and such overdraft facility may not be for period longer than 30 days.

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 period that it is not under physical control of the cashier. Access to this safe must be limited to the cashier.
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.

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. Each 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.

7. 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.
- Seal number must be included in the daily cash report

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.

8 The original receipt obtained when the cash is collected by the approved security company must also be attached to the day end reports.

9 The following officials should be present when cash is collected by the security company:

- Cash credit controller;
- Accountant: Revenue

10 The Chief Financial Officer 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 Accounting Officer is overall responsible for the Municipality's funds, deposited as well as not yet deposited. He/She should therefore ensure that all cash controls are in place and are being adhered to. This function can be delegated to the Chief Financial Officer.

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. 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.

2 The pre-numbered receipts that are generated, should be distributed as follows:

- Original copy - To client
- Second copy - Filled together with all day-end documentation.
- The third copy - remains in the receipt book

3 The reconciliation between the manual receipts and the capturing thereof should be checked for completeness and accuracy by Accountant: Revenue on a daily basis.

4 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. Cancelled receipts should be authorised by the Accountant: Revenue or delegated official before new receipts are issued.

5 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.

6 The Assistant Director: Revenue should ensure that the cash suspense general ledger accounts are reconciled and cleared on a daily basis.

7 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.

8 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 deposits are identified on the bank statements and followed up by the Credit control and Accountant: Revenue with 5 days from the date that the deposit appeared on the bank statements.

CASH SHORTAGES AND SURPLUSES

1 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 Admin Officer: Assets and Fleet must perform a detailed bank reconciliation monthly of the Municipality's bank accounts.

3 The Assistant Director - Assets and Fleet should review the monthly bank reconciliations for completeness and accuracy monthly. 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 monthly. The reconciliation should be signed as proof of the review and approval function performed.

5 The Assistant Director: Assets and Fleet must file the monthly reviewed bank reconciliations in the month-end audit files.

6 The Director: Finance must report to the Accounting Officer and relevant committees on the cash flow position of the Municipality

7 The Director: Finance must report to the relevant committees and council on the cash flow position of the Municipality

H IMPLEMENTATION AND REVIEW OF THE POLICY

- 1 The policy must be submitted to Council for approval and effective date will be the date when approved by Council.
- 2 It is the responsibility of the Accounting Officer 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.

Municipal Manager
Mankgaba MF

