



CASH MANAGEMENT POLICY

2018-2019

POLICY NAME & NUMBER:	Cash Management Policy
POLICY STATUS / VERSION	Draft /1
DATE OF APPROVAL / IMPLEMENTATION	01 JULY 2016
DATE OF LAST AMENDMENT	March 2017
AIMS AND OBJECTIVES	Ensure that all monies due by the municipality is paid in full as prescribed by the Municipal Finance Management Act, 2003 (Act No.53 of 2003)
POLICY CUSTODIAN	Directorate: Financial Services Department: Budget and Treasury Office Division: Supply Chain Management Section: CASH and Logistics
RELATED LEGISLATION, REGULATIONS AND POLICIES	Constitution of the Republic of South Africa, 1996 Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) Labour Relations Act, Municipal Systems Act, 2000 (Act No. 32. of 2000) Municipal Finance Management Act, 2003 (Act No. 53 of 2003) with regulations Supply Chain Management Policy Petty Cash Policy Travel and Subsistence Policy Overtime Policy Cash and Investment Policy Standards of Generally Recognised Accounting Practice
APPROVING AUTHORITY	Council

CASH MANAGEMENT POLICY

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1. ABBREVIATIONS

CFO – Chief Financial Officer

CM – Council Minute/s

IDP – Integrated Development Plan

MBRR – Municipal Budget Reporting Regulations

MFMA – Municipal Finance Management Act, Act No. 56 of 2003

MSA – Municipal Systems Act, Act No.32 of 2000

MSTA – Municipal Structures Act

MTREF – Medium Term Revenue and CASH Framework

SDBIP - Service Delivery and Budget Implementation Plan

2. DEFINITIONS

Accounting Officer means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA;

Allocation means

- a) a municipality's share of the local government's equitable share referred to in section 214(l)(a) of the Constitution;
- b) an allocation of money to the municipality in terms of section 214(1)(c) of the Constitution;
- c) an allocation of money to the municipality in terms of a provincial budget; or
- d) any other allocation of money to the municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

Annual Division of Revenue Act means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

Approved budget means the annual budget approved by a municipal council; and includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

Assets mean resources controlled by the Municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the Municipality.

Asset control committee means a committee appointed by the Accounting Officer to act as a subcommittee for the Council committee whose responsibility it is to investigate matters reported in terms of section 32. The subcommittee must comprise

of a representative from each of the following departments namely Legal services, Human Resources and Finance, additional to this standing committee members, the senior manager within who's vote the transaction occurs must appoint a representative for his/her department or division to represent the senior manager;

Basic Municipal Service means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

Budget-related Policy means a policy of the municipality affecting or affected by the annual budget of the municipality and includes all policies as prescribed in terms of the Municipal Budget and Reporting Regulations as published under GN 393 in GG 32141 dated 17 April 2009;

Capital Budget means the approved budget for capital items in a given fiscal period;

Capital Items means capital assets with a life expectancy of more than one financial year such as property, plant and equipment, intangible assets, heritage assets and investment properties and of which the cost is normally written off over a number of fiscal periods;

Chief Financial Officer means a person designated in terms of section 80(2)(a) of the MFMA;

Council means the municipal council of the Cederberg Municipality referred to in section 18 of the Municipal Structures Act;

Councillor means a member of council;

Current year means the financial year, which has already commenced, but not yet ended;

Delegation means the power to perform a function or duty which is given to an office bearer, councillor or staff members either in terms of section 59 of the MSA or section 79 of the MFMA;

Executive Mayor means the councillor elected as the executive mayor of the municipality in terms of section 55 of the MSTA;

Financial recovery plan means a plan prepared in terms of section 141 of the MFMA;

Financial statements means statements consisting of at least –

- a) Statement of financial position;
- b) Statement of financial performance;
- c) Cash-flow statement;
- d) Any other statements that may be prescribed; and
- e) Any notes to these statements;

Financial year means a twelve month period commencing on 1st July and ending on 30th of June each year;

Financing agreement includes any loan agreement, lease, and instalment purchase contract or hire purchase agreement in terms whereof the municipality undertakes to repay a long-term debt over a period of time;

Generally Recognised Accounting Practice” means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

Investment in relation to funds of the municipality, means –

- a) The placing or deposit of funds of the municipality with a financial institution; or
- b) The acquisition of assets with funds of the municipality not immediately required, with the primary aim of preserving those funds;

Lender means a person who provides debt finance to the municipality;

Local community means the meaning assigned to it in section 1 of the MSA;

Long-term debt means debt repayable over a period exceeding one year;

Municipal council means the council of the municipality referred to in section 18 of the Municipal Structures Act;

Municipal debt instrument means any note, bond, debenture or other evidence of indebtedness issued by the municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

Municipal entity has the meaning assigned to it in section 1 of the MSA;

Municipal service has the meaning assigned to it in section 1 of the MSA;

Municipal Structures Act means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

Municipal Systems Act means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

Municipal tariff means a tariff for services which the municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

Municipal tax means property rates or other taxes, levies or duties that the municipality may impose;

Municipality, as referred to in this Policy, means the Cederberg Municipality

National Treasury means the National Treasury established by section 5 of the Public Finance Management Act;

Official means –

- a) An employee of the municipality or municipal entity;
- b) A person seconded to the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- c) A person contracted by the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

Previous financial year means the financial year preceding the current year;

Quarter means any of the following periods in a financial year –

- a) 1 July to 30 September refer to as the 1st quarter;
- b) 1 October to 31 December refer to as the 2nd quarter;
- c) 1 January to 31 March refer to as the 3rd quarter; or
- d) 1 April to 30 June refer to as the 4th quarter;

Senior Manager means all officials reporting directly to the Accounting Officer as contemplated in sect 56 of the MSA;

Service Delivery and Budget Implementation Plan means a detailed plan approved by the executive mayor of the municipality, in terms of section 53(l) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services;

Short-term debt means debt repayable over a period not exceeding one year;

Vote means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different directorates of the municipality; and which specifies the total amount that is appropriated for the purposes of the directorate concerned and includes:

- a) Municipal Manager;
- b) Directorate: Strategic Support Services;
- c) Directorate: Budget and Treasury Office (Financial Services);
- d) Directorate: Technical Services; and
- e) Directorate: Community Services.

Vote Holder means the senior manager to which a vote is assigned.

3. INTRODUCTION

The Municipal Finance Management Act, (Act 56 of 2003) read together with the Municipal Budget and Reporting Regulations, provides the legislative framework within which any CASH related transactions must take place.

Section 11 of the Municipal Finance Management Act, (Act 56 of 2003) specifically provides the legislative framework for any withdrawals from any bank account in the name of the Cederberg Municipality.

The budget plays a critical role in an attempt to realise the diverse community needs. Central to this, the formulation of this CASH policy must ensure that the objectives of the MFMA as set out in section 2, is incorporated in the day to day administration of the municipality.

This policy must be read, interpreted, implemented and understood against this legislative background.

4. OBJECTIVE

The objective of the CASH policy is to:

- a) Set out a framework for the Municipality to deal with:
All CASH related transactions;
- b) Establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes;
- c) Ensure payments are made in accordance with approved policies and authorised processes only;
- d) Ensure that all monies due by the municipality is paid in full within the 30 days of receipt date of invoice or statement; whichever is the latest as prescribed by the MFMA;
- e) Ensure all employees and councillors are paid in time and correctly; and
- f) Ensure that the principles applied, as a result of this policy, will enhance and support a healthy working capital position for the Municipality.

5. CASH MANAGEMENT

5.1. Withdrawals from a bank account

- 5.1.1. Any withdrawal from a bank account in the name of the Municipality, may only occur in terms of section 11 or section 67 of the MFMA.
- 5.1.2. All withdrawals must comply with the Cash & Investment Policy of the Municipality or in accordance an official order issued in terms of the Supply Chain Management Policy or by an authorised official and shall be authorised by two officials as authorised by the Accounting Officer.
- 5.1.3. The delegated authority to sign cheques or authorise electronic payments shall be in writing and kept on record, and be reviewed regularly by the Accounting Officer. Copies of such letters of authority will be kept by the expenditure section.

5.2. Commitments

- 5.2.1. No councillor or official of the Municipality shall commit the Municipality to any CASH expenditure unless the necessary Supply Chain Management Policy processes have been followed which include the completion of an official requisition.
- 5.2.2. Senior Managers shall advise, as per prescribed form, the CFO of the officials authorised to sign requisitions for goods and services in respect of the categories determined and approved by the municipal manager from time to time.
- 5.2.3. Specimen signatures of all officials authorised to sign requisitions shall be supplied to the CFO.
- 5.2.4. Supply Chain Management will keep record of all authorised officials and the specimen signatures.
- 5.2.5. A commitment by an official of the municipality may only be undertaken on behalf of a third party when the full costs are recovered in advance before commencement of the work, either specially or generally.

5.3. Creditors/ Debtors

- 5.3.1. All money owed by the Municipality must be paid within thirty (30) days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure and revenue.
- 5.3.2. Payments will only be made directly to the person or institution to which a contract was awarded and from which the invoice is received for legally rendering the service to the Municipality.
- 5.3.3. All requests for payment properly certified and accompanied by the relevant invoices and supporting documentation must reach the Creditors' Department at least 5 days (120 hours) before payments are due.

- 5.3.4. Senior Managers shall advise the CFO of the names of officials empowered to sign vouchers and authorise payment of accounts, together with their specimen signatures.
- 5.3.5. Invoices or statements submitted for payment to the Manager of expenditure by any department shall be in such form as may be required by the CFO and must state the reference to the relevant vote to meet such payment.
- 5.3.6. When a department authorises the payment of accounts the signatory certifies and authorises that:-
- (a) All processes in terms of the Supply Chain Management Policy of the Municipality had been followed;
 - (b) The goods and services have been received and rendered in good order and are under the control of the Municipality;
 - (c) The account has not previously been submitted for payment;
 - (d) Sufficient budgetary provisions exist;
 - (e) If excess expenditure is involved, a virement should be approved authorising the excess expenditure shall be attached to the voucher;
 - (f) Authority for the payment exists, in which case the authority shall be indicated on the voucher; and
- 5.3.7. Before payment is processed the Creditors Section shall ensure that:-
- (a) The prices, calculations and any taxes are correct;
 - (b) Any discounts to which the municipality is entitled to have been deducted;
 - (c) The account has previously not been paid; and
 - (d) Sufficient budgetary provisions exist.
- 5.3.8. All payments due by the Municipality, unless provided for through the Petty Cash Policy, shall be made by cheque or approved electronic payment method drawn from the banking account of the Municipality.
- 5.3.9. The following procedures must be followed in respect of petty cash payments:

- a) A register of numbered vouchers must be kept by the Registry Clerk;
- b) A proper voucher with full details of expenditure must be submitted;
- c) The voucher must be signed by the person making the payments and the person that rendered the payment for purchases;
- d) All vouchers must be signed by a duly authorised official for the relevant department;
- e) A proper register as determined by the Manager must be maintained; and
- f) Supplement to the petty cash advance must be done on a regular basis;
- g) The following documentation must be submitted with supplement to the advance:
 - i) All signed schedules and vouchers supported by the relevant invoices and vote allocations;
 - ii) A proper reconciliation to match the supplementary amount.
- g) The register must be balance and be reconciled on a weekly basis. The reconciliation must be signed by the employee compiling it, whilst the Manager for expenditure must review and sign it off as correct.

5.4 Interest on Late Payments

- 5.4.1. No interest will be payable by the Municipality on any late payments unless due to negligence on behalf of an official of the Municipality.

5.5. Salaries, Wages and Allowances

- 5.5.1. The CFO shall be responsible for the calculation and payment of salaries, wages and allowances.
- 5.5.2. Payment shall be made in accordance with pay sheets approved by the Manager to a nominated bank account of the municipal employee or councillor.
- 5.5.3. Credit Control and debt collection
 - ✓ Credit Control and Debt Collection plays an important role in the Revenue Enhancement plans.

- ✓ The following factors must be taken into account:
 - Defaulter may or may not be able to pay—consider actions
 - Get the support of councilor and ward committee
 - Equity in action taken

5.5.4. Section 96 of MSA requires that all money due and payable must be collected and must adapt and maintain a credit control & debt collection policy. Effective communication

- ✓ Make public aware of the Action Plans for Revenue Enhancement.
- ✓ Communication must be credible, it is essential to be honest, good and bad news have equal value.
- ✓ People must understand the message
- ✓ The target audience must understand what is communicated.
- ✓ Way of communication :
 - Pamphlets
 - Posters
 - Ward Committee
 - Workshops
 - Public meetings
 - Radio
 - Newspaper

5.6. Cash Management Procedures

5.6.1. Bank account administration

The MM or delegated nominee are responsible for the administration of bank accounts and must be managed in accordance with any auditing requirements as well as legal requirements.

5.6.2. Bank Overdraft

Only be used to bridge shortfalls and for Capital needs within a financial year.

5.6.3. Interest on Bank Accounts

Accrued interest must be budgeted for and recorded in the Operating Account as Ordinary Revenues and thereafter appropriated to the Fund Account.

5.6.4. Receipting

Take all steps to ensure that receipting is managed in accordance with auditing requirements as well as legal requirements.

5.6.5. Cash procedures (Refer to SOP: Revenue)

1. Customer comes to the cashiers with payments .
2. Customer gives account/prepaid card/prepaid number.
3. Cashier capture the account number onto system.
4. Name is echoed back to customer to confirm details.
5. Cashier receives money and issues an electronic receipt generated from Promis.
6. Cashier files copy of receipt.
7. Receipts can only be voided by supervisor - new receipt attached to voided receipt for filing.
8. Cheques received via post are recorded in a cheque register.
9. Cashier captures cheques on Promis and writes receipt number in cheque register.
10. At the end of each day (15:30) the cashier will commence with the cash up procedures.
11. Cashier enters cash, cheques and credit cards onto empty screen (incl float).
12. Senior Clerk Revenue control accesses the program and prints out an end of day cash summary to inspect whether or not it balances.
13. Accountant: Revenue control ensures that shortages are paid in by cashiers and surpluses are booked to Promis account.
14. The balanced daily cash summary is attached to all the cash, credit Card slips, cheques and pre-paid sales together with the bank deposit slip.
15. The unsealed money bags are placed in the individual cashiers safe in the main safe.
16. The cash is recounted by the supervisor first thing the following morning in the presence of the cashier and is then sealed for collection by Security Services.
17. Security Services never left alone whilst busy with collection of money bags.
18. Money bag number recorded on the daily cash-up report.

19. Deposit slips returned by Security Services is checked and attached to daily cash-up report.

20. Bank reconciliations are performed on a monthly basis and verified by manager.

5.6.7. Refunds

- In respect of other deposit accounts, excluding consumer deposits, will only be refunded to the bank account originally certified by the beneficiary at the time of payment.

5.7. Grant Revenue and Expenditure

5.7.1. A proper cash flow in respect of Grant expenditure as well as Grant income related to the Grant Funding project must be drawn up by the relevant director and included in the budget.

5.7.2. No payments will be allowed in respect of projects to be financed from external grants unless grant funding has been received.

5.7.3. Council may, however, approve payments before any funds have been received but only where funds have already been committed to in writing, by the relevant state department or other institution.

5.7.4. The relevant directorate must obtain approval for bridging finance, as referred to in subparagraph 5.7.3.

5.8. Capital Revenue / Expenditure

5.8.1. No capital expenditure or revenue shall be incurred or committed to any project unless:-

- (a) Duly appropriated in an approved capital budget or adjustments budget; and
- (b) All necessary legislative requirements have been met as set out in the MFMA section 19, Budget and Reporting Regulations sections 11 and 13 and the Supply Chain Management Policy of the Municipality.

5.9. Accounting Principles

- 5.9.1. The CFO shall determine the format, standards and systems applicable to the accounting procedures on expenditure and revenue. In doing so cognisance must be taken of the General Recognised Accounting Practices (GRAP) guidelines issued by the Accounting Standards Board (ASB).
- 5.9.2. Council items related to financial matters, will not be forwarded to Council if it is not supported with the necessary comments from the CFO.
- 5.9.4. The CFO may prescribe the requirements for access to electronic accounting systems and shall ensure that the necessary security and password systems for this purpose are maintained.
- 5.9.5. Relief, charitable, trust or other funds
 - 5.9.5.1. In terms of section 12 of the MFMA read together with section 12 of the MBRR the Municipality may not transfer any funds from the Municipality into a fund created in terms of section 12 of the MFMA.
 - 5.9.5.2. The Municipality may incur expenditure in support of the objectives for which the funds were created, if approved in a duly approved budget.
- 5.9.6. Housing Development Fund & Capital Replacement Reserve
 - 5.9.6.1. No direct expenditure may occur against these funds.
 - 5.9.6.2. All revenue and expenditure must be included in a duly approved budget and incurred via the Supply Chain Management Policy of the Municipality.

5.10. Recovery of Losses

- 5.10.1. Any loss suffered by the Municipality due to any fraudulent or corrupt act or an act of bribery shall be dealt with and immediately be reported to the South African Police Service, Auditor-General, Mayor and Accounting Officer in terms of section 32 (b) of the MFMA

5.10.2. Circumstances of financial misconduct by municipal officials in accordance with section 171 of the MFMA must be reported to the Accounting Officer immediately.

6. IMPLEMENTATION

6.1. The Accounting Officer, with the assistance of the CFO and other Senior Managers are responsible for the implementation of this policy and must take reasonable steps to ensure that:

6.1.1. Funds are spent in accordance with the budget;

6.1.2. The policy must be reviewed annually together with the Supply Chain Management policy.