

COUNCIL POLICY

SUBJECT : CASH MANAGEMENT POLICY

REFERENCE : 5.1.5

RESOLUTION NR : 17/09/2006 DATE : September 2006

POLICY OBJECTIVES : To safe guard cash resources of Council and to ensure the effective, efficient and economic use thereof.
To emphasize a culture of accountability over Council's cash.

POLICY PHILOSOPHY

Council is committed towards maintaining and securing its cash flow to maximize effective service delivery.

GUIDELINES

1. The responsibility of cash management lies with the Municipal Manager and the Chief Finance Officer.
2. The performance of this function may be delegated to subordinates; this however does not alleviate the responsibility of the Municipal Manager and the Chief Finance.
3. The Municipal Manager must open a bank account in accordance with Statutory Regulation Section 7, of the Municipal Finance Management 2003, (Act (MFMA), 2003).
4. The bank reconciliation should be performed daily to detect any unauthorised entries and the Chief Finance should review such reconciliation monthly.
5. The cash flow forecast are to be prepared daily and changes in debt collection ratio's and spending patterns should be adjusted to the cash flow forecasts and the budget.
6. The surplus cash flow should be invested in lined with the Investment Policy approved by Council from time to time.
7. Collecting revenue when it is due and banking it promptly.
8. Making payments, transfers to other levels of government and non-government institutions, with due regard for effective and economical programme delivery and the government's normal terms for account payments.
9. Avoiding pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the suppliers.

10. Accepting discounts to effect early payment only when the payment has been included in monthly cash flow estimates provided to the relevant treasury.
11. Pursuing debtors with appropriate sensitivity and rigours to ensure that amounts received by the Municipality are collected and banked promptly.
12. Accurately forecasting the institution's cash flow requirements.
13. Timing the inflow and outflow of cash.
14. Recognizing the time value of money, i.e. economically, efficiently, and effectively managing cash.
15. Taking any other action that avoids locking out money unnecessary and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery and selling surplus or underutilized.
16. Ensuring that dishonoured warrant vouchers and cheques are followed up immediately.

PROCEDURES

1. CONTROL OF CASH RECEIPT

- 1.1 All direct deposits and cash receipts from clients must be recorded and a receipt must be issued for every cash transaction entered into.
- 1.2 All copies of cancelled receipt must be retained.
- 1.3 Daily receipts must be reconciled to till slips, debtors and income accounts, and actual cash.
- 1.4 Sufficient physical control must be implemented over cash and the transit of cash.
- 1.5 Sufficient security control must be implemented in the Municipality's premises that would prevent theft and fraud.
- 1.6 Cash must be banked daily with the use of a security **(limits maximum of R500,00)**
- 1.7 Once the cash is banked, the deposit slip must be reconciled to the daily receipt summary and authorized correct.
- 1.8 All this procedures are applicable to all agents of Council.

2. CONTROL FOR BANK RECONCILIATION

- 2.1 Accounts must be immediately debited with cheque amount and bank costs.

- 2.2 The normal credit control procedure must apply.
- 2.3 Return-to-Drawer (RD) cheques must be recorded in a register to follow up the replacement thereof with cash per department.
- 2.4 Return-to-Drawer (RD) cheques not replaced by cash must be recorded cashier's system to minimize the acceptance of another cheques from same person establishment.
- 2.5 The cheque received must be properly recorded.

3. MINIMIZE OTHER DEPOSIT VARIANCES

- 3.1 Ensure that cashier deposit and deposit entries are the same per bank transactions.
- 3.2 Electronic payments to Council must not include commission of administration fees. It must be charged separately.
- 3.3 Arrange with service suppliers always provide account numbers for electronic payments.
- 3.4 Deposits through cash - book not banked can pose a fraud risk and must be immediately and thoroughly investigated.

4. RECORDS AND DOCUMENTS

The Chief Finance must ensure that the following documents are filed:

1. Cancelled cheques in cheque sequence.
2. Cheque requisitions in cheque sequences.
3. Deposit slips in date order.
4. Bank statements in date order.
5. Returned cheques with supporting documentation in cheque numbers order.
6. Cash book in date order
7. Bank reconciliation in date order.
8. Securities in date order.
9. Direct deposits amount with supporting documentation in date order.

ROLES

Municipal Manager.
Chief Finance.
Finance Committee.
Council.

RELATED ACTS

Municipal Finance Management, 2003 (Act 56 of 2003).
Municipal Systems Act 2000.