



CASH MANAGEMENT POLICY

COUNCIL POLICY

SUBJECT: **CASH MANAGEMENT POLICY**

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 unauthorized entries and the Chief Finance should review such reconciliation monthly.
5. The cash flow forecasts 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 line 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. No 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 rigour 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 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 stock.
16. Ensuring that dishonored 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 receipts 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 with cash and the transit of cash.
- 1.5 Sufficient security control must be implemented on the Municipality's premises that would prevent theft and fraud.
- 1.6 Cash must be banked daily with the correct safety measures in place.
- 1.7 Once the cash is banked, the deposit slip must be reconciled to the daily receipt summary and authorized correct.
- 1.8 All these 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 in the cashier's system to minimize the acceptance of other cheques from the same person or 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 transaction.
- 3.2 Electronic payments to Council must not include commission or administration fees. It must be charged separately.
- 3.3 Arrange with service suppliers to always provide account numbers for electronic payments.
- 3.4 Deposits entered in cash-book, but not banked, can cause 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 number order.
6. Cash book in date order.
7. Bank reconciliation in date order.
8. Securities in date order.
9. Direct deposit amounts, with supporting documentation, in date order.

ROLES

Municipal Manager
Chief Finance
Mayoral Committee
Council

RELATED ACTS

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