

BLOUBERG MUNICIPALITY

DRAFT

POLICY:

CASH MANAGEMENT

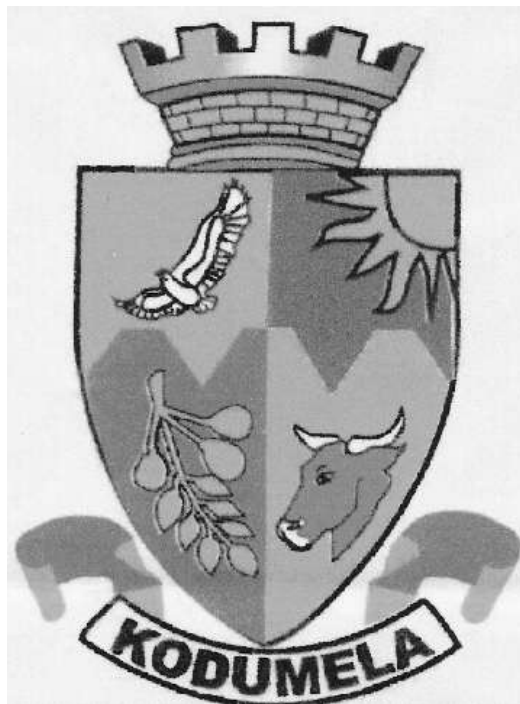


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CASH MANAGEMENT POLICY

SECTION 1: RECEIPT OF, DEPOSITING AND CONTROL OVER CASH FUNDS

The overall control over cash is of utmost importance due to the susceptibility of the resource to theft and possible fraudulent transactions. Cash is defined as: Actual cash, cheques, postal orders, and direct deposits into the Municipality's bank account.

The Municipality's policy regarding receipt of, depositing and control over cash is:

1. The Municipality should be properly insured against theft, fraudulent transactions etc., regarding the cash funds kept on the premises of the Municipality. Fidelity guarantee insurance should also be taken out in respect of employees handling Municipal funds.
2. Cash on hand should be kept in a fireproof lockable safe during periods that it is not under direct control of the cashier. The Income Accountant is responsible for cash funds during the periods that it is kept in the lockable safe.
3. All entrances that lead to the cashiers' area should at all times be locked to ensure that unauthorised persons do not gain entry.
4. The cashier is responsible for the control of cash funds in his / her possession during the day.
5. Cash will be deposited at least two times a week at the financial institution as approved from time to time by Council. Cash funds to be deposited will not be kept on the premises of the Municipality for a period longer than twenty-four hours.
6. Cash received on the last working day of each month should, as far possible, be deposited on the following working day
7. The Income Accountant or a delegated employee should verify daily cash received for completeness.

8. Daily cash received transactions should be captured onto the Municipality's financial system on the day that the transaction occurred.
9. A computer-generated receipt should be prepared for each cash received transaction. Pre-numbered manual receipts should be issued during periods that the computerised system is not in working order. Any manual receipts should be captured on the computer once it is in working order. The manual receipt number should be captured onto the receipt that is generated by the computer and vice versa.
10. Manual receipts must be issued in numerical order and manual receipt books must be controlled via a stationery register. Cashiers must sign the register as proof of receipt books when the store clerk issues receipt books to them.
11. Copies of the manual receipts issued must be stored in a lockable fireproof safe.
12. Cancelled receipts should be authorised by the Income Accountant or the delegated employee before new receipts are issued. All the copies of the cancelled receipt should be kept in the daily cash summary file / receipt book for future reference.
13. Access to the cash receiving function on the Municipality's financial system should be controlled by passwords. These passwords should be changed on a regular basis and should only be known to the cashier and his / her direct supervisor.
14. The cashier should pay in cash shortages on the day that the shortages are detected.
15. Receipts should be issued in respect of unknown cash surpluses if and when such surpluses are detected.
16. The Municipality's books of account should be closed off at the end of the last working day of each month and be balanced to the relevant control accounts by the 15th day of each month.

17. The Municipal Manager should ensure that sufficient cash funds are at all times available in order for the Council to be able to trade as a going concern.

SECTION 2: PETTY CASH

The objective of the petty cash system is to fund small emergency expenses without going through the process of obtaining cheques.

1. Payments from the petty cash are limited to R 500 per payment.
2. The balance of the petty cash on hand is limited to R5 000.
3. Payments from the petty cash should be supported by original external documentation.
4. Payments can only be made out of the petty cash in instances of urgent expenses and only to third parties that are not a regular creditor of the Municipality.
5. All expenses should be certified by the relevant Head of Departments and be approved by the Assistant Manager Expenditure.
6. All third parties, with whom the Municipality trades should, as far as possible, be registered for V.A.T. unless it is not required by SARS.
7. All payments should be captured into a petty cash register on a weekly basis.
8. The Chief Expenditure Accountant should verify the petty cash register for correctness on a weekly basis. The register should be signed as proof of the verifying function performed.
9. Petty cash payment supporting documentation should be cancelled the moment that cash is paid out.
10. The petty cash box should at all times be kept in a fireproof lockable safe when not under control of the employee responsible for the petty cash.

11. The Municipality should be sufficiently insured against theft or possible fraudulent transactions from petty cash funds.
12. The Assistant Manager - Expenditure or the delegated employee should conduct regular surprise cash counts whereby cash on hand is reconciled to supporting documentation and the petty cash register. The person responsible for the petty cash should pay in surpluses as well as shortages. The person conducting the cash count should sign the register as proof of the functions performed.
13. The Assistant Manager - Expenditure should ensure that the balance of the petty cash register agrees to the petty cash ledger account on a monthly basis. This reconciliation should be performed by the 10th working day of each month.
14. The balance of the petty cash on hand should be disclosed in the financial statements according to G.A.M.A.P., G.A.A.P. or any other accounting policy ruling the accounting functions of the Council.

SECTION 3: PETTY CASH SYSTEM

The petty cash policy and accounting cycle will be detailed in the following accounting cycles:

A PAYMENTS FROM PETTY CASH FUNDS

B REIMBURSEMENT OF PETTY CASH FUNDS

C CONTROL OF THE PETTY CASH

A PAYMENTS FROM THE PETTY CASH FUNDS

1 Employee requesting petty cash funds.

- 1.1 Complete a pre – numbered petty cash requisition for payment document in duplicate. This document should be approved by the Assistant Manager Expenditure and should indicate the following information:

- Name of supplier;
- Date;
- Amount requested;

- Department;
- Description of expense; for example repairs, wages etc.
- Vote number

1.2 Obtain cash funds from the Cashier. Purchase or pay for items / services needed and obtain an original invoice from the supplier.

1.3 Submit the original invoice to the Cashier who should certify the invoice as correct and that the costs are for the account of the relevant department.

1.4 Submit the certified invoice to the Cashier. Pay the difference in cash back should the actual expense be less than the amount received or obtain the difference in instances where expenses were self-funded.

2 Cashier

2.1 Receive the petty cash requisition from the applicant.

2.2 Hand the requisition to the Manager Expenditure who will approve or disapprove the expense.

2.3 Hand the cash requested to the applicant in respect of approved applications. The applicant should sign the requisition as proof that cash was received by him / her.

2.4 Receive the original invoice from the applicant. Clearly cancel the invoice and attach the invoice to the petty cash requisition. Refund the applicant should the funds obtained be less than the actual expenses or collect surplus cash.

2.5 Capture the information from the invoice and petty cash requisition into the petty cash register in numerical order. File the petty cash requisitions in numerical order.

3 Manager Expenditure

3.1 Approve or disapprove all petty cash requisitions. Perform budgetary control on each received requisition.

3.2 Ensure that the petty cash register is updated on a regular basis.

B REIMBURSEMENTS OF PETTY CASH FUNDS

The maximum amount of petty cash to be held on hand is limited to R 2000. The petty cash should be reimbursed on the last working day of each second week or when cash funds are urgently needed. The following actions should be taken to reimburse the petty cash on hand:

1 Cashier

- 1.1 Complete a cash-on-hand report clearly indicating the current petty cash on hand and the reasons for the reimbursements.
- 1.2 Submit this report to the Cash Controller for checking, who will then hand it to the Chief Financial Officer who will approve the request for cash funds.
- 1.3 Submit the request to the treasury Creditors Clerk who will issue a cheque according to the Municipality's purchases and payment accounting cycle.
- 1.4 Obtain the cheque from the Creditors Clerk and cash at the Municipality's financial institution.
- 1.5 Update the petty cash register with the reimbursement amount.
- 1.6 Ensure that the cash, requisitions and receipts balance with the total amount of the authorized cash float at all times.
- 1.7 Ensure that there is at all times enough cash available in the petty cash box.

2 Chief Financial Officer

- 2.1 Approve the petty cash reimbursement request.
- 2.2 Ensure that the petty cash reimbursements are captured into the petty cash register on a timeous basis.

3 Creditors Clerk

- 3.1 Prepare and issue the cheque payment according to the Municipality's purchase and payment policies.

4 Manager Expenditure

- 4.1. Check the reconciliation prepared by the Expenditure Clerk and submits it to the Financial Manager.
- 4.2. Compare, twice per month, the petty cash on hand with the reconciliation prepared by the Cashier.
- 4.3. Keep a register that should be signed every time that the checking function is performed on the reconciliation.

C CONTROL OVER THE PETTY CASH

1 Expenditure Clerk

- 1.1 Reconcile and close the petty cash register off on a weekly basis.
- 1.2 Ensure that each entry is substantiated by an approved original invoice.
- 1.3 Ensure that the petty cash balance on hand reconciles to the petty cash general ledger account on a monthly basis.
- 1.4 Store the petty cash box and register in a lockable fire proof safe during the periods when not used.
- 1.5. Capture the petty cash information on a bi - weekly basis to the Municipality's financial system.

3 Accountant Expenditure

- 3.1 Ensure that the petty cash register is updated, maintained and captured onto the Municipality's financial system on a bi - weekly basis
- 3.2 Ensure that all entries in the petty cash register are substantiated by approved documentation.
- 3.3 Ensure that the petty cash balance is within the limit as stated in the policy.
- 3.4 Ensure that petty cash expenses do not exceed R 200 per payment.
- 3.5 Ensure that the expenses were correctly captured to the various expense accounts.

- 3.6 Sign the petty cash register as proof of all reconciling and verification functions performed.

4 Manager Expenditure

- 4.1 Ensure that the petty cash register balance reconciles to the petty cash general ledger account on a monthly basis.
- 4.2 The Assistant Manager Expenditure or the delegated employee should perform regular surprise counts of the petty cash funds on hand and reconcile the cash to the petty cash register. Surpluses or shortages should be paid in at the cashier when detected.

5 Chief Financial Officer

- 5.1 Ensure that the Municipality is sufficiently insured against cash theft.
- 5.2 Ensure that budgetary procedures are being adhered to.
- 5.3 Ensure that the petty cash balance on hand is disclosed in the annual financial statements according to the accounting policies ruling the disclosure of the petty cash.

POLICY GUIDELINES ON COMPUTERISED SYSTEM FOR RECEIPT, DEPOSITING AND CONTROL OVER CASH FUNDS

For this system description cash will be defined as one of the following: Physical cash, cheques, postal orders, direct deposits in the Municipality's bank account and bank transfers.

Cash is received at the Municipality through the following mediums:

- Paid in at the Cashier by rate payers,
- Cash received via the post register,
- Direct payments into the Municipality's bank accounts and,
- Payments posted in the deposit box that is placed in the Cashiers reception area.

1. Cashier

- 1.1. Count cash received and verify with substantiating documentation.
- 1.2. Capture information onto the Municipality's financial system and prepare a receipt in duplicate and distributed as follows:
 - Original copy (Handed to rate payer or filed in sundry income treasury file)
 - Second copy (Kept on hard drive for future references)
- 1.3. Receipts are issued in numerical order. Pre-numbered Manual receipts should be issued should the computerised system be out of order. Such manual receipts should be captured onto the computerised system the moment that the system is in working order. Capture the computerised receipt number onto the manual receipt and vice versa.
- 1.4 Sign all registers through which cash, other than deposits by rate payers, is controlled. These registers will include the following: Cheque box register; Register for cheques received by post, etc. Capture the receipt numbers into the relevant register.

1.5. Perform the following functions at the end of each working day:

- Count the float separately and set aside from the rest of the cash.
- Count all the cash on hand and complete the cash section of the daily cash summary. Sign the summary as proof of the functions performed.
- Call the Income Accountant who will verify the correctness of the daily cash summary to the cash received.
- Perform all the functions according to the computerised cash reconciling procedures.
- Cashiers are liable for any cash shortages and it should be paid in if and when detected.
- Cash surpluses should be paid in and a receipt issued if and when detected.
- Complete a deposit slip in triplicate from the information on the daily cash summary after the relevant assistant accountant performed the reconciling function and signs the deposit slip. The deposit slip is distributed as follows:
 - Original To the financial institution
 - First copy Filed with the daily cash summary
 - Second copy Stay in book for future reference
- Cash, and substantiating documentation is handed to the Accountant Income for safekeeping.

2. Inquire clerk

Security seals are handed to the Inquire Clerk by the security services and are locked for safekeeping

The seal number will be recorded in a register. By means of a signature, receipt thereof will be acknowledged

The date of the deposit, for which the seal was used, will also be recorded in the register.

The Inquire Clerk will issue the seals per signature on a daily basis to the Accountant Income.

3. Assistant Accountant Income

3.1 Attend to Cashiers once cash is counted and the cash portion of the daily cash summary is completed.

3.2 Perform all the necessary reconciling functions and print all relevant supporting documentation according to the computerised cash reconciling procedures. Sign the daily cash summary as proof of the reconciling functions performed.

3.4 Verify the deposit slip for correctness and that it agrees to the total of the cash summary Sign the document as proof of the reconciling function performed.

3.5 Ensure that all copies of cancelled receipts can be accounted for.

3.6 Enter the trunk seal number on the relevant page of the bank deposit book.

3.7 Immediately place the bank deposit book with the cash in the trunk and lock and seal the trunk in the presence of the Cashier. Co sign the daily cash register with the cashier the cash trunk is sealed. Capture the seal number into the register.

- 3.8 Take control of the cash received and keeps in a lockable fireproof safe till such time that money is deposited.

3.9 Hand the trunk to the security company for deposit of funds. Ensure that a signature is obtained as proof that money was handed to the security company. Also obtain a receipt from the security company as proof that money was received

~~3.9~~3.10 Attach all the supporting documentation to the daily cash summary and file in lever arch files in date order. The supporting documentation will consist of the following:

- Daily cash summary,
- Second copy of the stamped deposit slip,
- Report of receipts – Audit trail (Computer generated),
- Summary of receipt per Cashier,
- Security company receipt,
- End of shift reports (Cash power)
- Cheque list
- Cancelled receipts

3.11 Run the normal day end procedures to ensure that the financial system is updated. This procedure should only be performed once the relevant reconciling functions were satisfactorily completed.

3.12 Submit the daily cash summary, supporting documentation and deposit book to the Income Accountant once money has been deposited for the review function to be performed.

3.13 Open the cheque box in the cashier's area twice per day in the presence of a witness. Co signs the cheque register with the witness and submits the register with cheques to the cashier.

3.14 Perform the following procedures in respect of cheques received through the post:

3.14.1 Personnel in the records department will contact the Accountant Income to collect the cheque register and cheques.

3.14.2 Check the register for accuracy and then sign it as acknowledge of receipt and then hand the register together with the cheques to the Cashier who will perform the necessary functions thereon.

[3.14.3](#) Return the register to the records department immediately after all the above procedures are performed.

4. Manager Income

4.1 Verify the daily cash summaries, supporting documentation, deposit books and bank statements for correctness and accuracy. Ensure that all monies received were correctly captured in the Municipalities financial system. Sign the daily cash summary as proof of the verifying function performed.

4.2 Ensure that a receipt is issued in respect of all direct deposits that appear on the bank statements.

4.3 Ensure that money is correctly deposited according to the Municipality's Policy governing cash.

4.4 Inform Chief Financial Officer of any surplus or shortage on the daily receipts.

4.5 Ensure on a monthly basis that all income transactions were correctly and timeously captured onto the Municipalities financial system.

4.6 Journalise all RD' cheque entries that appear on the bank statements and capture to the correct ledger accounts as well as the debtors system.

4.7 Ensure on a monthly basis that all income related control accounts reconciles to the various sub ledgers.

5. Budget Officer

Perform a monthly bank reconciliation using the bank reconciliation function on the computerised financial system. Sign the bank reconciliation as proof of the compiling function performed.

Ensure on a monthly basis that all income and expenditure related control accounts reconciles to the various sub ledgers.

6 Manager Budget

6.1. Ensure on a monthly basis that all income and expenditure related control accounts reconciles to the various sub ledgers by performing bank reconciliation.

~~6.16.2~~ Verify the bank reconciliation submitted for correctness and that it reconciles to the bank statements and bank and cash control account. Sign the bank reconciliation as proof of the checking function performed and submit to C.F.O for authorization.

6.3. Ensure that reconciling items that appear on the bank reconciliation are followed up with the relevant manager and cleared on a monthly basis.

6.4. Ensure on a monthly basis that the bank and cash general ledger control account reconciles to the bank reconciliation that was compiled

7. CHIEF FINANCE OFFICER

7.1 Report on a monthly basis to Financial Committee and Council on the stance of funds.

7.2 Ensure that the Municipality is at all times sufficiently insured against cash losses in whatever form as well as fidelity guarantee insurance.

7.3 Ensure that sufficient cash funds are available in order for the Municipality to trade as a going concern.

END OF POLICY DOCUMENT