

GREATER TZANEEN MUNICIPALITY



POLICY
RECEIPTING, DEPOSITING AND CONTROL OVER CASH FUNDS

POLICY:

RECEIPTING, DEPOSITING AND CONTROL OVER CASH FUNDS

1. PREAMBLE

Chapter 8 of the Municipal Finance Management Act, No 56 of 2003 requires municipalities to maintain an effective and efficient internal control over revenue management system. Section 64 of the Municipal Finance Management Act further requires;

- (a) That all money received is promptly deposited into the Municipality's primary and other bank accounts.

- (b) That the municipality has to maintain a management, accounting and information system which recognizes revenue when it is earned, accounts for debtors and accounts for receipts of revenue.

This document sets out the policy and procedures on the implementation of internal control measures relating to the direct bank deposits in order to meet the requirements of the Municipal Finance Management Act and good accounting practices.

2. DEFINITIONS

“Account” refers a debtor account either for rates or services or sundry charge reflecting an amount payable by the debtor for specific period.

“Act” in relation to this policy, refers to the Municipal Finance Management Act, No 56 of 2003, abbreviated as MFMA.

“Bank” refers financial institutions registered in terms of the Banks Act, No. 94 of 1990.

“Bank Statement” refers to a document produced by the municipality bank reflecting cash deposits and withdrawals made by municipality.

“Cash” refers to actual cash (coins and bank notes), cheques , postal orders and direct bank deposits, credit and debit card payments, third party payments (easy pay and post office) and transfers into the council’s bank account.

“Financial year” means a period starting from 01 July ending the following year on 30 June.

“Insurance” means financial protection against loss or harm such as theft, fraud etc, in return for payment premium

“Receipt” in relation to this policy, refers to voucher/slip issued by the municipality to acknowledge receipt of payment.

3. OBJECTIVE

The main objective of the policy is to provide clear guidelines in terms of proper control over direct bank deposits and to ensure correct and prompt process and allocation of direct bank deposits to the accounting system of the municipality. The overall control over cash is of utmost importance due to the nature of this resource as theft and possible fraudulent transactions are always a possibility.

4. INSURANCE

The Council must be properly insured against theft, fraudulent transactions etc. regarding the cash funds kept on the premises of the Council. Fidelity guarantee insurance must also be taken out in respect of employees handling council funds.

5. PROCEDURES

5.1 SECURITY

1. Cash on hand must be kept in a fire proof lockable safe during the periods that it is not under the control of the cashiers. The senior cash controller and/or delegated officials are responsible for the cash during the periods that it is kept in the lockable safe.
2. All entries that lead to the cashier areas must at all times be locked to ensure that unauthorised persons do not gain entry.
3. The cashiers are responsible for the control of cash in his /her possession during the day.
4. Access to the cash receiving function on the Council's financial system must be controlled by passwords. These passwords must be changed on a regular basis and must only be known to the cashier concerned.
5. All pre-numbered source documentation must be controlled by way of stationery register. The officials to whom stationery is issued must sign the stationery register as proof of receipt
6. The keys of the various safes in the Revenue department where cash is kept must be controlled per key register. The manager revenue and/or delegated official will be responsible for this control function. Keys may

under no circumstances be changed between the officials to whom keys were allocated, except with prior authorization of the manager revenue or delegated official.

Under no circumstances may one official have access to the keys of the big walk in safe as well as the smaller safe.

The chief cashier will at all times be responsible for the keys to the smaller safe.

5.2 CASH FLOAT

A cash float to a value to be determined from time to time will be made available to the cashiers.

The supervisor must verify daily the cash float when balancing the cashiers.

5.3 DEPOSIT OF DAILY CASH

Cash must be deposited on a daily basis in the dedicated bank account at the financial institution as approved from time to time by the Council.

Monies received must be deposited on the day following the day that money was received, except for the last working day of the week, where money received must be deposited on the first working day following the last working day. Satellite offices must deposit monies if the total cash and cheques received are more than R5000.00 and/or at least once a week on Friday's.

5.4 PROCESSING PROCEDURES OF DIRECT BANK DEPOSITS

The revenue division of the financial services department shall ensure that the direct bank deposits are promptly and correctly processed by implementing the following procedures;

- (a) Bank statements shall be downloaded from the Cashfocus system on a daily basis in order to identify direct bank deposits made the previous day;

- (b) All direct bank deposits with valid references/account no's will be processed immediately on the day recognized on the bank statements;
- (c) A report of all direct bank deposits without valid references numbers will be compiled on a daily basis;
- (d) The direct bank deposits not processed within three months will be receipted to a suspense ledger account;
- (e) A register of all direct bank deposits transferred to the suspense ledger account shall be kept and updated on a daily basis whenever there is monies transfer to and from the suspense ledger account;
- (f) The transfer of monies from the unknown direct bank deposit suspense ledger account shall be done with the authorization of the Senior Accountant; and
- (g) The unknown suspense ledger account shall be reconciled on a monthly basis in order to ensure that it balances to the unknown direct bank deposits register;

5.5.1 HANDLING OF LONG OUTSTANDING UNKNOWN DIRECT BANK DEPOSITS

Unknown direct bank deposits not been claimed/identified within a year will be regarded as revenue to the municipality and shall be credited to a general revenue account.

6. RESPONSIBILITIES

6.1 Daily cash balanced to the supervisor totals must be sealed in the banking bags at the time of balancing for next working day deposits together with the completed deposit slip, and seal numbers must be

recorded and signed off in register. Satellite offices must also secure the cash in sealed bags every day at the time of balancing although these bags might not be collected every day due to the Rand value concerned.

6.2 When the security collect the cash for banking purpose the security guard collecting the deposits should verify the seal number or seal numbers in case of satellite offices and sign in the register next to the official signature to confirm that the numbers correspond.

6.3 The supervisor that does the balancing must update all daily cash received transactions onto the council's financial system on the day that the transactions occurred. The cash, cheques and debit/credit card total deposited must be verified the next day to the bank deposit that appears on the bank statement downloaded from the cashfocus system. A bank stamped copy of the deposit slip must be attached to the daily summary printouts.

6.4 Receipts must be issued for all debit and credit card payments and the totals as per the card machine must be retrieved, updated and compared to the supervisor totals on the system daily.

6.5 The cash controller must compile and submit debit order files to the financial institution on or before the 8th of each month. Totals submitted must be verified with the file accepted report and these totals must be compared to the deposits on the specific action dates.

6.6 The bank statements must be retrieved daily by the cash controller. The official responsible for direct deposits must identify the direct deposits and allocate it to the debtors accounts daily. All unidentified deposits must be followed up and a list of unallocated deposits must at all times be available.

6.7 A spreadsheet with all the direct deposit information must be compiled and the daily totals must correspond with the supervisor totals as per daily balancing of cash.

6.8 Unallocated direct deposits will be receipted to a suspense ledger account in June every year. A register of such transfers must be maintained, balancing to the suspense vote in the general ledger.

6.9 Manual receipts issued at the satellite offices must be captured onto the Council's financial system on the first working day following the day that the manual receipts were issued

6.10 Receipts may only be cancelled if a receipt for the same amount is issued directly after, no refunds may be done at the time of receipt cancellation but may only be requested for repayment through the expenditure system. Cancelled receipts may only be authorised by the supervisor responsible for the cash balancing function or delegated official. The original copy of cancelled receipt must be filed with the particular day's cash received support documentation.

6.11 The information of all cancelled receipts must be captured into a cancelled receipts register on the same day that the receipts were cancelled. The person performing the daily balancing function must verify this register for completeness on a daily basis.

Cancelled receipts should be limited. Cancellations due to negligence from the cashier should be reported and verified by the Senior Accountant.

6.12 The cashier must pay in cash shortages on the day that the shortage is detected or the following day before the money is deposited.

6.13 Surprise cash count against issued receipts must be done by the supervisor , the Senior Accountant and / or internal audit unit and to be performed once monthly and such proof will be documented and filled.

6.14 Receipts must be issued in respect of unknown cash surpluses if and when such surpluses are detected.

6.15 Cash shortages and surpluses must be reported to in writing to the Manager Revenue by the Senior Accountant – Revenue.

6.16 Cash shortages that occurred due to fraudulent actions and that were detected must be investigated and reported according to procedures as stipulated in the Municipal Financial Management Act section 171.

6.17 The cash controller must keep record of all direct deposits not recognized. This list should correspond with the bank reconciliation at the end of each month and must be verified by the Senior Accountant.

6.18 The daily reconciliation of Cash received with the relevant supporting documents (duplicate deposit slip, daily cash up form, system generated daily receipt list and analysis and summary) must be compiled by the Cash control Clerk and send for verification to Senior Accountant on daily basis.

6.19 The cash controller must debit the relevant debtors account when unpaid cheques and debit orders appears on the bankstatement.

6.20 Debit orders that rejects for more than two months in a row may be deleted without notice to the clients. The cash controller must keep record of these and also notify credit control.

6.21 No cheques for debtors with unpaid cheques that “refer to drawer” or funds not available may be accepted for up to three months. The debtors account must be charged with the tariff as determined by council from time to time.

ⁱ Reviewed 2013